



Preventing repossessions

Fact sheet

- Every repossession is a tragedy for the family concerned, but latest figures show hard-pressed homeowners that the Government is on their side and providing real help so they can stay in their homes.
- When we entered the recession, many commentators – drawing upon comparisons with the early 1990s – claimed that in 2009 repossessions would be at a similar level to that of the early 1990s, when they peaked at 75,500 in 1991. The Council of Mortgage Lenders' (CML) original forecast for 2009 was 75,000 repossessions.
- But Government acted differently in this recession. We believe we have a duty to help struggling homeowners avoid losing their home, as a result repossessions, arrears and negative equity are currently running at around half the rates at which they peaked in the early 1990s.
- We have put in place advice and help at every stage for those who are at risk of repossession. Latest Q3 repossession figures and CML forecasts show that in 2009 we are likely to see 25,000 fewer repossessions than originally forecast by the CML.
- There are over a million more homeowners than in the 1990s, and if repossessions were running at the same rate as 1991, we would expect 91,000 households to be repossessed this year; if arrears were as high as in 1992 then we would expect 396,000 households to be in arrears; and if negative equity was as high as in 1993 we would have up to 2.2 million households in negative equity. As the table below shows, the figures for 2009 are around half these rates.

| | 1990s | Now |
|--|--|---|
| Repossessions | 75,500 properties in the peak year (1991) 0.77% of all mortgages | 40,000 (2008) 48,000 (CML revised forecast 2009) 0.43% of all mortgages |
| Arrears Number of households with arrears of greater than 6 months | 352,000 (1992) (3.6% of mortgages in arrears) | 154,000 (Q2 2009) (1.4% of mortgages in arrears) |
| Negative equity | Estimated at between 1.5m and 1.7m households in 1993 (CML) (16% of mortgage holders) | Between 700,000 and 1.1m households in Q1 2009 (BoE) (8% of mortgage holders) |
| Number of mortgages | 9.8m mortgages 13,050,000 homeowners (1991) | 11.1m mortgages 14,628,000 homeowners (2008) |
| Levels of homelessness | 37,000 new cases of statutory homelessness (Q1 1992) 12% of homelessness acceptances due to mortgage arrears (1991) | 11,000 new cases of statutory homelessness (Q1 2009 – Q2 published in Sept) 3% of homelessness acceptances due to mortgage arrears (Q1 2009) (4% 2008) |

- In the early 1990s, the Government left the response to lenders themselves and only reacted after repossessions had already peaked at more than 75,000 in 1991.
- By contrast, we have put **support for homeowners at the heart of our response to the economic downturn**. From the start of the recession, we have made clear that repossession should be an absolute last resort.
- Help is available to households at every stage. There are rules and regulations which ensure repossession is only ever a last resort and safety net schemes to provide backstop support to struggling homeowners:

Unlike the early 90s:

- from the start of the downturn Government has put pressure on lenders to extend forbearance to their borrowers wherever possible from the start of the recession.
- Government has launched a comprehensive publicity campaign to help ensure households know their rights.
- there are now changes to court rules to ensure lenders inform local authorities if they are taking repossession action against a household so the authority can offer suitable help. The earlier a household receives help, the higher the chance of avoiding repossession.

- we have increased funding to £130m to provide free face-to-face debt advice services between 2006 and 2011.
 - legal guidance has been put in place to ensure lenders have to prove to the court that repossession is a last resort.
 - we have ensured there is access to an advice desk in every court to help households on the day if they are facing a repossession hearing.
 - Government has led the way from the start in providing targeted support schemes to act as a safety net for households in different circumstances.
- **Key facts**
 - Over **300,000 homeowners** have got help and advice with their mortgage since April 2008, including **200,000 homeowners who received support for mortgage interest** and **100,000 homeowners who have received information and advice** from their local authority or a debt advice agency.
 - **136,000 households** are now benefiting from formal lender forbearance.
 - **35,000 people** have benefited from free advice in court in 2008-09
 - Through the mortgage rescue scheme, almost **11,000 households have got help and advice from their local authority** and there are over **1,100 live cases in the system**.
 - **£130m** is being provided to support free face-to-face debt advice services between 2006 and 2011.
 - The **CML is now predicting** 48,000 repossessions in 2009 and 53,000 in 2010.
 - There were 11,700 repossessions in Q3 2009 – with the rate of repossession equating to **only 0.11 per cent** of all mortgages.

But don't just take our word for it...

The CML has revised down its forecast that 2009 would see levels of repossessions as high as those in the 1990s – the Council is now predicting more than 25,000 less than it expected to see a year ago.

“The Government has strengthened the benefits system, and while initiatives such as mortgage rescue and the home-owner mortgage support scheme are not appropriate for everyone, they have encouraged more borrowers to discuss their options with lenders and money advisers, which is helpful.”
Michael Coogan, CML director general, press release, 15 May 2009

“We support the decisive and coordinated approach which the Government has taken to put in place a mortgage safety net to help people stay in their homes. The evidence so far suggests that the measures are making a difference overall, though it is too early to judge their impact fully.” *CAB*

“Help is out there for anyone struggling to pay their mortgage and they don't need to suffer alone. Shelter has been working hard to help thousands of desperate homeowners keep their home by making sure they get the

government help they're entitled to while negotiating a better deal with their lenders." *Kay Boycott, Shelter, September 2009*

Case study: Leicestershire family's home saved by the mortgage rescue scheme

Melton family, Kelly and Jamie Carr and their five children, were so convinced that they would be made homeless they had packed their bags and even moved some of their furniture to friends' homes. Now, six months later they are still in their home thanks to going to the local Citizens Advice Bureau.

The family was facing repossession. Having seen a friend evicted, Kelly didn't want this to happen to her family. Jamie thought he would have to deal with going bankrupt on his own, but someone suggested going to the CAB.

Jenny, the money advice supervisor, told them about the mortgage rescue scheme. She liaised with Melton Council and the Carr's mortgage company, copying them into all paperwork and keeping them up to date. Their house is now being purchased by the East Midlands Housing Association. Kelly and Jamie will rent it back from them. They can stay in their home and there is no disruption to the family.

Case study: Yorkshireman's home saved by repossession prevention fund

"Like winning the lottery", was the reaction of 44 year old Bob Dickinson when he walked out of Calderdale Credit Union office in Halifax at the start of August. He was free from the threat of repossession that had brought turmoil into the life of his family for the previous four months.

Bob's troubles started when he was off sick from work with a strained back. He missed a mortgage payment and then he was made redundant with a group of other factory workers at the Halifax firm where he'd been employed for the past six years. The family were referred to the repossession prevention fund operated by Calderdale Council which helped Bob turn the corner, removed the threat that they would lose their home and allowed them to look forward again as a family.

ANNEX: Comparison with 1990s repossessions

| | 1990s | Now |
|--|--|---|
| <i>Economic trends</i> | | |
| Number of mortgages | 9.8m mortgages 13,050,000 homeowners (1991) | 11.1m mortgages 14,628,000 homeowners (2008) |
| House prices Halifax house price index | 13% peak to trough fall | Decline of 22.6% from peak to April 2009, currently 20.0% below peak in July 2009 |
| Negative equity | Estimated at between 1.5 million and 1.7 million households in 1993 (CML) (16% of mortgage holders) | Between 700,000 and 1.1 million households in Q1 2009 (BoE) (8% of mortgage holders) |
| Unemployment ILO / LFS measure | 3m (1993) | 2.4m (Apr-Jun 09) Forecast for 2010: 3.0m (OECD, June 09); 2.9m (IMF, May 09) |
| Interest rates Official Bank of England base rate Average mortgage rate | 14.9% (1990) 15.2% (April 1990) | 0.5% (Aug 2009) 2 yr fixed: 5.18%, 2 yr variable: 3.74% (Aug 2009) |
| <i>Levels of repossessions</i> | | |
| Arrears Number of households with arrears of greater than 6 months | 352,000 (1992) (3.6% of mortgages in arrears) | 154,000 (Q2 2009) (1.4% of mortgages in arrears) |
| Repossessions | 75,500 properties in the peak year (1991) | 40,000 (2008) 48,000 (CML revised forecast 2009) 53,000 (CML forecast for 2010) |
| Rate of repossession to mortgages | 75,500 repossessions = 0.77% of all mortgages (1991) | 48,000 repossessions = 0.43% of all mortgages (CML forecast for 2009) 53,000 (CML forecast for 2010 = 0.48% of all mortgages) |
| Mortgage possession orders | 143,000 orders (1991) | 112,000 claims leading to an order (2008) 19,000 in Q2 2009 (1% lower than Q1 2009) |
| Levels of homelessness | 37,000 new cases of statutory homelessness (Q1 1992) 12% of homelessness acceptances due to mortgage arrears (1991) | 10,650 new cases of statutory homelessness (Q2 2009) 3% of homelessness acceptances due to mortgage arrears (Q2 2009) (4% 2008) |

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|----------------------------|---|---|
| | | Due to the requirement on local authorities, introduced in 2003, to take a proactive approach to preventing homelessness (before the main homelessness duty is owed). |
| <i>Government policies</i> | | |
| | <p>Government agreement in 1992 (after the repossessions peak) to pay SMI direct to lenders in return for increased forbearance and lender-led partnerships with housing associations to buy/part-buy properties</p> <p>No equivalent to: FSA regulation (a voluntary mortgage code was introduced by the CML only in 1997); mortgage pre-action protocol through courts; increased funding for debt and legal advice; enhancement to SMI, homeowners mortgage support; help through local authorities; or new protections for tenants.</p> | <p>Universal help for households through:</p> <ul style="list-style-type: none"> • Increased funding for free debt and legal advice. • FSA regulation of lenders to ensure customers treated fairly. • Mortgage pre-action protocol to ensure protection through the courts. <p>Targeted support for households in need through:</p> <ul style="list-style-type: none"> • Increased capital limit and reduced waiting time for support for mortgage interest. • Mortgage rescue scheme. • Homeowners mortgage support to incentivise extra lender forbearance. • New £20m preventing repossessions fund for LAs. • £150m grant to LAs to prevent homelessness. • Changes from April 09 so that tenants get up to 7 weeks' notice (up from 2 at present) if their landlord's mortgage defaults. • Intention to legislate (at the earliest opportunity) to ensure tenants of private landlords who get repossessed get adequate notice to vacate the property (intention to be 2 months' notice). |