



# **UK Mortgage Prisoners**

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## **REPORT TO THE FINANCIAL CONDUCT AUTHORITY (FCA)**

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## INTRODUCTION

This report presents research findings from a representative sample of mortgage prisoners who were surveyed in response to the FCA announcement that lenders are now allowed to use a different and more proportionate affordability assessment for customers who meet certain criteria.

At first sight, these changes are a welcome step in the right direction. However, these changes have the potential to create false hope for people who are already experiencing extreme distress. This could create a situation whereby mortgage prisoners who have already experienced stress-related illnesses and depression as a result of them being trapped paying mortgage interest far in excess of the base rate, will experience even more harm. Significantly, five respondents had contemplated suicide and there were two deaths that were linked to being a mortgage prisoner.

***“As feared, the FCA rules do not go far enough and, whilst potentially positive for a small number of mortgage prisoners, this will not help the majority of those trapped into high rates for more than a decade now.” (UK Mortgage Prisoners)***

The FCA accept that unaffordable borrowing is a cause of significant harm and that mortgage prisoners are often stuck on more expensive mortgages. This raises an important point about where the cause of “harm” lies. Our findings suggest that “harm” is being caused by the limited nature and scope of the FCA rule change that leaves far more mortgage prisoners powerless. These changes were said to remove barriers but in fact they have simply reinforced what all mortgage prisoners already know – that the banks retain the control, and mortgage prisoners still have no real choice. This is not the first time that the actions of the regulator have caused harm to mortgage prisoners. The Mortgage Market Review (MMR) which came into effect in 2014 was implemented to encourage responsible lending and reduce the risk of default. When composed, it was acknowledged that the new regulatory framework, applied

retrospectively, would trap homeowners with their current providers who could not pass the new stress test. To prevent this from occurring, transitional arrangements were made so that those wanting to transfer to another lender on a lower rate could do so. However, similarly to the new FCA relative test, lenders were not compelled to use the transitional arrangements. And so, they did not. In effect, the MMR may have actually increased the risk of default for mortgage prisoners who have been trapped on expensive SVRs.

The lived experience of mortgage prisoners tells a very disturbing story. The FCA rules do not go far enough, or fast enough, to help mortgage prisoners who find themselves working 14-hour days, seven days a week, just to keep up mortgage payments at three and four times the market rate. These changes do not help those who are at risk of losing their family home in the next few years because the rules do not allow them to transfer to a repayment mortgage. This is a ticking time bomb that will lead many 1,000s of people to lose their homes as the lending period ends and they have no vehicle to pay the mortgage loan after a decade on extortionate SVRs. Furthermore, these changes do not help those in arrears precisely because of the hardship these SVRs have caused.

## **Survey findings**

Using our Facebook group, we asked members to complete two separate surveys.

The first survey received 170 responses. We asked members to comment on perceptions of the rule changes and asked about the impact on their mental health.

Out of 170 responses, 119 mortgage prisoners believed that the new FCA rules would help them to remortgage. That equates to 70% of people feeling hopeful that the new relative test might help them. On first glance this appeared to be positive news but in practice we know that only around 10% of all mortgage prisoners will meet the new criteria. The FCA new rules propose that mortgage prisoners would have to prove they have a repayment vehicle in place. This illustrates that a significant number of mortgage prisoners may not be helped, given they cannot evidence their ability to repay. It is still not clear whether mortgage prisoners who have an interest-only mortgage will be allowed to apply for a repayment mortgage transfer

or an extension to their current loan. This detail is important because a significant number of our respondents reported being on an interest-only mortgage.

The second survey received 244 responses. We asked about the type of mortgage held, for example, interest-only, repayment or part-repayment.

101 interest-only (41%)
17 part-repayment (7%)
126 repayment (52%)

## THE IMPACT ON MENTAL HEALTH

146 out of 170 respondents said that being a mortgage prisoner had affected their mental health to varying degrees and in many ways. What is most concerning in reading these responses is the pattern of stress, worry, depression and anxiety. This raises the concern that false hope is being unrealistically raised amongst a highly vulnerable population. The table below provides some idea of the occurrence of quoted symptoms among the respondents.

Symptoms of mental health	Number of mortgage prisoners who report this symptom	% of mortgage prisoners who report this symptom
Stress	69	41
Depression	43	25
Constant financial worry	42	25
Anxiety	32	19
Worry about the impact on children	18	11
Poor sleep	16	9
Contemplated suicide	5	3
Death linked to being a mortgage prisoner	2	1

The impact on mental health reported by respondents was very concerning. For example, in many cases, they reported stress and constant worry. A large number also reported severe depression, anxiety, issues with sleeping causing exhaustion and fatigue, mental breakdown,

panic attacks and mood swings. Others said they felt mentally drained, overwhelmed and permanently in a state of worry, with little control and no way out.

Amongst the responses to the question posed ('has being a mortgage prisoner impacted your mental health?'), five had contemplations of suicide:

***“My husband had a stroke few years after getting mortgage. Had to go to interest only and credit is really bad so can't change. Every time I get up to date, they add charges. I now owe more than what I got and been paying for 12 years. Felt at times about ending it all but not fair on my kids as it's hard since their dad had a stroke and brain tumour”***

Even more concerning, there were two deaths that had been attributed to being a mortgage prisoner:

***“It has caused a death, my mother has suffered a stroke and my brother is severely depressed and unable to work”***

And another said:

***It's been a difficult time for our family, my wife is now on medication for depression. The stress of being trapped in a mortgage and struggle to manage monthly has had a devastating impact. My sister who was in a similar position, her marriage ended as her hubby couldn't manage financially. She sadly commit suicide in June. We have no doubt the mortgage mess they were in played a huge role in her mental health deterioration***



## **THE IMPACT ON DAILY LIFE**

Respondents made a point of explaining how they prioritise paying their monthly mortgage over and above everything else. This commitment and desire to keep up with their payments means sacrificing other items that many families (on much lower rates) take for granted. For example, many respondents said they had forfeited family holidays and celebrations.

***“Not being able to buy food shopping, school uniforms massive impact on our family, our children not being able to access activities, family holidays and experiences. Yes of course it's stressful times running a home bringing up children with very little money”.***

Similarly, broken household items could not be replaced such as washing machines and cookers and maintaining the upkeep of their property became problematic. Some reported

living without heating, and broadband, and some went without food or survived on a very poor diet because it is the cheapest option.

***“The situation obviously makes me frustrated watching others with similar or less income than me regularly treat themselves whilst I watch every penny, I earn to survive. My family deserve more treats, more clothes, yearly holidays. Groundhog Day and working extremely hard will eventually affect my mental wellbeing and health”***

Similarly,

***“Stress level caused by decreased disposable income from the level it should be on my income! Family have missed out on items and experiences they should have had as children and that we would have afforded if we weren't paying some £300 per month more than a similar mortgage with another lender”.***

While another said:

***“Our house is falling to bits. Can't afford things to be fixed or mended. had no fridge for 2 years! No shower for last 8 months. no time out! No holidays! No celebrations. Huge debt”***

Many of the responses spoke about living day to day, with no ability to save or plan for retirement. They also talk about the added pressure on relationships and the significant impact on children. The effects of working longer hours means that family time is limited.

***“I have been depressed and stressed about trying to pay the mortgage each month. It has caused me anxiety and my doctor put me on anti-depressants, but I had a heart attack due to stress. My husband walked out on me and my children as he couldn't take the pressure anymore, so I had to bring up the children on my own whilst trying to pay the mortgage which is interest only. I am sitting here freezing cold as I cannot afford any heating, no holiday for 8 years, no life whatsoever, just a struggle each day. I asked to port my mortgage to a smaller house when my husband walked out but I was denied. I have tried to re-mortgage but also denied. I can't move, I am stuck with a huge interest rate which I am paying each month but cannot afford a lower interest rate! The whole family are suffering!”***

## **THE IMPACT ON PSYCHO-EMOTIONAL WELLBEING**

Many respondents said they felt ashamed and guilty. Often people said they kept their mortgage prisoner status hidden from family and friends for fear of being perceived as an irresponsible borrower.

***“No holidays, Christmas a financial nightmare, can't afford repairs on the house....nothing to look forward too. Life's a complete nightmare financially. I know money isn't everything but when you can't afford the essentials because of being trapped in a mortgage with a high interest rate and can't see a light at the end of the tunnel...What's the point of going on.. my family don't know how things have escalated recently. I can't bare to tell them”***



The overriding emotional impact was one of feeling “trapped”, unable to move on in their lives, feeling helpless and insecure about the future.

There is a sense of fear in most of these accounts. Fear of unexpected expenditure, fear of interest rate rises, fear of letters from the lender and fear for the impact this situation is having on their children’s mental health.

***“Stress every month of huge interest rates with no way out. Dread of a letter telling you the interest has gone up with the BOE base rate increase. Stayed in a job I hated for 12 years for fear of covering mortgage if I needed to take a pay cut. No holidays or luxuries including haircuts, broadband etc. for a few years”***

## **NEXT STEPS**

If the FCA, as regulator, now feel powerless to help mortgage prisoners, we would ask you to recommend to government that proper protections be put in place to prevent further sales to unregulated entities. Furthermore, we would expect a full review of the ways in which the industry allows mortgage prisoners to move lender so that lenders are obliged to act quickly to implement the new rules. We feel that the scale of harm evidenced through this report (and there are many more quotes we could send to you) should be a very real concern, because people are suffering mentally, physically, socially and emotionally – as well as living in financial hardship. Past decisions and events that led to the unfair treatment of mortgage holders when they were sold off to unregulated and inactive private equity firms was morally and financially unfair. The evidence in this report should be taken seriously because the level of extreme harm to thousands of families, needs to be acknowledged and remedied as a matter of urgency.

We need your support to influence what happens next.

UK Mortgage Prisoners



For further details you can contact UK Mortgage Prisoners by going to [www.ukmortgageprisoners.com](http://www.ukmortgageprisoners.com) or emailing [team@ukmortgageprisoners.com](mailto:team@ukmortgageprisoners.com)