



6 Make the right decision for you and your family's future

Before you and your lender agree any change to your mortgage repayment, get the lender to tell you about the problems that may arise in the future as a result of the change. You must reach a decision that the lender agrees to and that takes your or your family's circumstances into account.

It may help to talk with family members or friends who have recently dealt with similar changes to their mortgage. **You may also be able to speak to other mortgage lenders on the high street, to see if there is a better interest rate or mortgage package that could be available to you by 'remortgaging'.**

Companies that buy your home and rent it back to you are offering 'sale and rent back' agreements. Although these are legal, they are not currently regulated effectively. Selling your house to this type of scheme may pay off your debts, but you will no longer own your home. Your new landlord may increase your rent, making it too expensive, or ask you to leave after six or 12 months.

If you sell your home to one of these schemes, you may not be able to claim Housing Benefit if you are on a low income or if you lose your job.

If the company that bought your home gets into financial problems and cannot pay the mortgage, you may be evicted. Most of these schemes will offer you less than the actual value of your home.

Avoid signing up to schemes that appear too good to be true, because they probably are.

Please get advice from your local Shelter advice service or Citizens Advice Bureau before you sign up to one of these schemes. If, after taking advice and finding out about all the help that is available you realise you will not be able to keep your home, you should sell your home. Deciding to sell your home yourself



is better, because it makes the most of any potential equity (the difference between how much your property is worth and the amount you owe on your mortgage). You must check for any extra costs with your mortgage deal, and consider whether or not you will get the right price for your home, to cover your financial needs (for example, the costs of moving) as well as paying off the mortgage.



Before taking steps to sell, always get advice. This is very important, because in some circumstances you may be seen to have made yourself 'intentionally homeless' (for example, if you sell your home when it could have been saved). If this happens, the council may not have a duty to rehouse you. If, after getting advice, you are still not able to save your home, you should check whether or not you are eligible for help from the Government's Mortgage Rescue Scheme (see section 8).



7 Pre-Action Protocol approved by the courts

Since 19 November 2008, this protocol applies to most residential mortgages. It outlines what you and your lender should do before your lender takes action to take possession of your home.

Your lender should send you a copy of this leaflet or other legal information if you miss any payments. Your lender should tell you:

- how much money you owe them
- how much of your mortgage you still have to pay, and
- what interest or charges you will have to pay because you owe them money.

Your lender should consider any reasonable request from you to change the date you pay your mortgage or how you pay, and respond promptly to any offer of payment you make. If you do not keep to any agreement you have made with your lender, they must warn you in writing that they plan to start court

action. They must send you a letter that gives you 15 working days' notice of the action they plan to take. If the lender does not accept your offer, they must give you their reasons within 10 working days.

Your lender may postpone any possession action if:



- you make a claim under a mortgage payment protection policy and you can show you can reasonably expect the claim to be approved and that you can make up any part of the monthly payment that is not met by the policy, or
- you can show you are taking, or will be taking, reasonable steps to sell your home, in line with professional advice you are given. If the lender agrees to delay taking action, you must continue to sell your home and keep them up to date on the progress of the sale.

If the lender does not agree to delay taking action to take possession of your home, they should give you their reasons at least five working days before starting any action.

If you feel your lender has treated you unfairly when dealing with your mortgage arrears, you may be able to make a complaint to the Financial Ombudsman Service (FOS). You will need advice on how to make a complaint to them, so get advice straightaway. The Pre-Action Protocol allows the lender to postpone their possession action when FOS is dealing with a complaint. But if your lender decides to continue with possession action while your complaint is being dealt with, they must give you five working days' notice of their plans. FOS can usually only look into complaints about how the lender dealt with your case, so you will still need to get advice about the actual action your lender may take.

The court will want to see that you losing your home is a last resort and that other options (see section 5) were discussed first. You and your lender will need to show you have followed the protocol at any court hearing.



8 The Government's Mortgage Rescue Scheme

This scheme can help you if you have missed payments on your mortgage.

You may qualify for the scheme if you have dependent children or anyone in your household is pregnant, elderly or disabled.

If your household earns more than £60,000 a year, you cannot use this scheme, and there are limits on the value of your property that may stop you applying for this help.

You should contact the housing department of your local council to apply for help from the Government's Mortgage Rescue Scheme. The council will take care of your application and work with money-advice agencies, local housing associations and your lender to provide the best solution to suit you and your family.

To get help under the scheme you will need to:



- get a money advice agency to carry out an up-to-date assessment of your finances, which will show whether or not the Mortgage Rescue Scheme is an option for you
- know that your lender has considered other options and will support your application
- be sure that there are currently no orders or charges on your property that would stop it being sold and provide an up-to-date valuation of your property to show its possible selling price, and
- show there is enough equity in your home. (Equity is the difference between how much your property is worth and the amount you owe on your mortgage.)

There are two possible solutions that the scheme can provide.

- **Shared equity** – This is when a housing association provides an equity loan to reduce your monthly mortgage payments. You will still own the property. You will repay the loan at a low interest rate and the loan will be secured on your home.
- **Mortgage to rent** – This is when a housing association buys your property at the market value and you then become the housing association's tenant, and pay them rent.

To find out more about this scheme, please contact the housing department of your local council.

There are other types of help that you can get if you owe money on your mortgage. If you lose your job or suffer a drop in your wages, you may be able to get help from the Homeowner Mortgage Support Scheme, to help you repay your mortgage at a reduced amount for a fixed time while you get back on your feet. This scheme is currently being developed and will be available soon. Please visit www.communities.gov.uk/housing/buyingselling/mortgagesupportscheme for more information.

There may also be other schemes that can help you. **It is always worth asking your lender or a local advice agency about any other help that is available.**



Useful organisations for information and advice

RH 2237/2

To help you with your mortgage and debt problems

Citizens Advice Bureaux

Helps you to deal with any legal, money, welfare benefits issues or other problems. Find your nearest Citizens Advice Bureau at www.citizensadvice.org.uk or under 'C' in your local phone book, and use www.adviceguide.co.uk for further contacts and information.

Community Legal Advice

Provides legal advice in England and Wales. Phone **0845 345 4 345** or visit www.clsdirect.org.uk

Consumer Credit Counselling Service

Offers you help to deal with several debts. Phone **0800 138 1111** or visit www.cccs.co.uk

Financial Services Authority (FSA)

Phone the helpline on **0845 606 1234**. The FSA produces several guides on how to manage your money and these are available online at www.moneymadeclear.fsa.gov.uk

National Debtline

Helps you to deal with debt problems. Phone **0808 808 4000** or visit www.nationaldebtline.co.uk

Payplan

Gives you advice on your debts. Phone **0800 917 7823** or visit www.payplan.com

Shelter

Offers you help with housing, mortgage debt or problems with welfare benefits. Phone the

free housing advice helpline on **0808 800 4444** from 8am to 8pm, seven days a week (some mobile phone networks may charge for calls to this number). Or, you can visit www.shelter.org.uk/adviceonline

To check you are getting all the support you are entitled to

Council Tax Benefit

To see if you're eligible for help with your council tax bills, phone Jobcentre Plus on **0800 055 6688**, visit www.jobcentreplus.gov.uk or contact your local council.

Income Support, Employment and Support Allowance and Jobseeker's Allowance

For information and advice, or to make a claim, phone Jobcentre Plus on **0800 055 6688** or visit www.jobcentreplus.gov.uk

Pension Credit

For information and advice, or to make a claim, visit your local Pension Centre or phone The Pension Service on **0800 99 1234**, or visit www.thepensionservice.gov.uk

Working Tax Credit and Child Tax Credit

For more information, phone **0845 300 3900** or visit www.hmrc.gov.uk/taxcredits

Please note: If you want advice on employment and training opportunities or benefits, contact Jobcentre Plus. Advisers can give you information on the range of organisations that can give you free financial and debt advice.

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Shelter

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