

01 December 2009

Rt Hon Alistair Darling MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Preventing repossessions

Dear Chancellor,

We are writing to you ahead of the pre-budget report to outline the key areas that we believe must be prioritised in order to prevent the sustained and devastating wave of arrears and repossessions forecast for the coming year.

As you will know, the recession has had a huge impact on people's ability to meet their housing costs. Both tenants and homeowners are struggling to keep on top of their payments and many thousands have already been repossessed or evicted. Losing one's home can have devastating personal consequences, as well as adding financial cost to local authorities through re-housing spend.

We welcome the swift and decisive action Government has taken to date, but the effects of the recession are far from over. Unemployment for example, which is typically a lagging indicator of arrears and repossessions, continues to rise. The Council of Mortgage Lenders forecasts that there will be 53,000 repossessions in 2010. It is essential that Government puts measures in place now that can minimise this.

The housing possession duty desk scheme

Whilst we always encourage early stage advice, the Housing Possession Court Duty scheme is a crucial safety net for any tenant or homeowner facing eviction or repossession. Free legal advice and representation through the scheme make a huge difference – it is estimated that immediate repossession is avoided in 85% of cases where people attend court and receive advice on the day. Recent research carried out by our organisations demonstrates the skill and knowledge of our court desk advisers – in 88% of homeowner cases they advised on, the outcome they sought was granted by the court.

This scheme must be safeguarded, and we urge the Government to continue the funding of this crucial service.

We also recommend that funding allows for follow-up advice to court desk clients. Although anyone can be helped on the day, there is often little scope for undertaking preventative work or providing ongoing support beyond the point of crisis.

Support for Mortgage Interest (SMI)

SMI has been of great significance in helping homeowners to avoid repossession throughout the economic downturn – as the Prime Minister acknowledged in his party conference speech. This benefit has been improved over the last year, and both advice agencies and industry have welcomed this. In particular, the standard interest rate for calculating SMI has been fixed at 6.08% until January 2010. However, at this point it could revert to its former calculation and drop to as little as 2.08% - far below the interest rate that many borrowers actually pay on their mortgages.

In order to help avoid a surge in repossessions we urge the government to:

- Continue the reduction in the waiting period for SMI (from 39 to 13 weeks) and consider further shortening this period
- Freeze the standard interest rate by which SMI is paid at 6.08% for at least the next year, and review it if interest rates rise.

Advice services for homeowners

We believe that access to free and impartial advice is key to helping borrowers manage their debts and keep their homes, and we are grateful for the additional resources that government has committed to the housing and debt advice sector over the last year.

Government-led publicity has caused an increase in the number of homeowners seeking free, impartial debt or housing advice. For example, whilst there have, to date, been a disappointingly low number of completions on the Homeowner Mortgage Support Scheme, the publicity generated by the scheme and the funding made available to deliver advice about it have been invaluable in getting more households to engage in advice and take important steps to resolving their financial difficulties.

Demand for advice is high:

- Since January 2009, Citizens Advice Bureaux in England and Wales have dealt with over 87,000 new enquiries about mortgage and secured loan arrears
- National Debtline has seen a continued rise in demand for advice from people with mortgage arrears, and over the last two quarters the number of callers who are behind with their mortgage has risen by over 15%
- Over 35,000 leaflets on coping with mortgage problems¹ were downloaded from the Shelter website between July and September this year

We urge the Government to continue funding, at least at the current level if not more generously, advice schemes for indebted homeowners.

For agencies to meet demand and ensure that there is relevant expertise within the sector, we also recommend that funding allows for up-skilling of advisers.

Preventing repossessions fund

In the 2009 budget, the Chancellor allocated £20 million to a 'Preventing Repossessions Fund'. We believe that this is a straightforward scheme that allows Local Authorities to respond to local need by allocating loans to tenants or homeowners in difficulty and encouraging them to seek debt advice. We recommend that a further £20 million is made

¹ 'Mortgage arrears – how to cope with mortgage arrears' (21,760) and 'Mortgage problems – separating the myths from reality' (13,855)

available for 2010, and that it is ring-fenced for spending on indebted residents housing costs.

We recognise that there are significant budget constraints, and that spending across all areas must be efficient. But we consider that investment in the areas outlined above represents good value for money. Repossession means cost to individuals, cost to lenders, and cost to Government through re-housing. We believe that repossession should be the last resort.

Please do not hesitate to get in touch with us should you wish to discuss any of these points in greater detail.

Yours sincerely,



**Steve Johnson, Chief Executive,
AdviceUK**



**Joanna Elson, Chief Executive, Money
Advice Trust**



**David Harker, Chief Executive,
Citizens Advice**



**Sam Younger, Interim Chief Executive,
Shelter**

CC:

Lord Bach, Parliamentary Under Secretary of State for Justice, Ministry of Justice
Rt Hon Yvette Cooper MP, Secretary of State for Work and Pensions
Rt Hon John Healey MP, Minister for Housing and Planning
Lord Myners, Financial Services Secretary to the Treasury

Contact details:

David Hawkes
AdviceUK
6th Floor
63 St Mary Axe
London EC3A 8AA
t 020 7469 5700
david.hawkes@adviceuk.org.uk

Matt Jones
Citizens Advice
Myddelton House
115 – 123 Pentonville Road
London
N1 9LZ
t 020 7833 5271
matt.jones@citizensadvice.org.uk

Joanna Elson
Money Advice Trust
21 Garlick Hill
London
EC4V 2AU
t 020 7653 9720
joanna@moneyadvicetrust.org

Sam Younger
Shelter
88 Old Street
London
EC1V 9HU
t 0344 515 2124
Sam.Younger@shelter.org.uk