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Report warns of more people being needlessly repossessed unless help for homeowners is strengthened

Measures to help struggling homeowners weather the recession need to be strengthened to prevent more people being needlessly repossessed, a new report from three leading advice agencies says today.

AdviceUK, Citizens Advice and Shelter say the government package of support for homeowners is making a difference, but the report shows there are still gaps and too many homeowners are falling through the net. They are calling for urgent action by lenders, regulators and the Government to tackle these.

Published on the same day as new repossession figures are expected from the Financial Services Authority (FSA), *Turning the tide?* is based on detailed research into hundreds of cases seen by advisers who give last minute advice to people at court on the day of their repossession hearings*.

It found in a third of recorded cases the lender had failed to comply with new rules – known as the ‘pre-action protocol’ - requiring them to take court action only as a last resort after offering borrowers other options for dealing with their arrears. Despite this, judges took action to address this in only a handful of cases.

In general, sub-prime lenders who specialise in lending to riskier borrowers were found to be taking court action earlier than high street lenders, and a few sub-prime lenders in particular had many more court cases listed than their share of the mortgage market would suggest.

Job loss and other loss of income were the most common reasons given for mortgage arrears, and low income households were the most likely to lose their homes. While Support for Mortgage Interest (SMI) is a benefit specifically designed to help in these circumstances, many borrowers who ended up in court were paying higher monthly interest rates than would be covered by SMI payments and there was some evidence of shortfall in take-up.

The research shows that the advice provided by court duty desk advisers is crucial in helping people with a chance of recovery to avoid repossession. Almost eight out of ten (77%) of people whose cases were analysed in the survey avoided the immediate loss of their home. But their circumstances suggested that up to half could find it difficult to sustain the repayments set by the court unless their incomes recover quickly, so they remain at high risk of repossession at a later date.

The report calls on all lenders to comply fully with the mortgage pre-action protocol. It also calls for a fundamental review of private and state safety nets, along with more flexible powers for courts to help borrowers stay in their homes. Funding for free, independent advice in court for people facing repossession action must be maintained as a priority, it adds.

Citizens Advice Chief Executive David Harker said: "Government, lenders and regulators have taken swift and welcome action to protect people affected by the recession from losing their homes unnecessarily. Our advisers see evidence of these initiatives working in many cases, but our research makes it clear that the safeguards already in place to protect people from avoidable homelessness need to be strengthened if they are to succeed in stemming the rising tide of repossessions."

Kay Boycott, Shelter director of policy and campaigns, said: "Measures to help struggling homeowners are clearly working in many cases but we shouldn't fail anybody at this time. The most common cause of mortgage arrears is job loss and with 2,000 people losing their job every day, we must close these gaps urgently to ensure every vulnerable homeowner gets the protection they need."

Steve Johnson, Chief Executive of AdviceUK, said: "Court desk advisers play a vitally important role in helping struggling homeowners to remain in their homes. Recent initiatives from the Government, regulators and mortgage lenders are welcome and have assisted many vulnerable households from becoming homeless. However, this report makes it clear that not all lenders are showing forbearance and that additional protection is needed if we are to avoid a repeat of the repossessions crisis of the early 1990s."

ENDS

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Notes to editors:

1. ***Turning the tide? Evidence from the free advice sector on the impact of initiatives to tackle mortgage and secured loan arrears and repossessions*** is available to download from www.citizensadvice.org.uk; www.shelter.org.uk; www.adviceuk.org.uk from 00.01 Tuesday 15 December
2. ***Turning the tide? analyses in detail the cases and circumstances of 452 people who sought advice from court duty desks run by AdviceUK members, Citizens Advice Bureaux and Shelter at 65 county courts in England during July 2009.** Housing possession court duty desks are emergency schemes which offer anyone in

danger of eviction or having property repossessed free legal advice and representation on the day of the hearing, regardless of their financial circumstances.

Advisers were also asked to provide copies of the court lists of scheduled mortgage/secured loan possession hearings by their courts in July, which identify the lender taking action for all cases. Lists were collected from 52 county courts in England, and they contain 2,444 cases.

3. **AdviceUK** is the largest network of independent advice organisations in the UK, with more than 830 members. The total number of clients seen by AdviceUK agencies across all advice subjects is in the region of 2 million per year. 397 members of AdviceUK provide debt advice. Members range from large organisations such as **National Debtline** and **Shelter** to small, community-based organisations, many of whom operate in the 50 poorest local authority areas and serve 'hard-to-reach' communities. For more information see www.adviceuk.org.uk.
4. The **Citizens Advice** service is a network of independent charities that helps people resolve their money, legal and other problems by providing information and advice and by influencing policymakers. For more information in England and Wales see www.citizensadvice.org.uk The advice provided by the Citizens Advice service is free, independent, confidential, and impartial, and available to everyone regardless of race, gender, disability, sexual orientation, religion, age or nationality.
5. **Shelter** helps 170,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of Britain's housing crisis by campaigning for new laws, policies and solutions. Further information at www.shelter.org.uk