

How to deal with missed mortgage payments and arrears

What happens if I can't afford to pay my mortgage?

The first thing you need to do is contact your mortgage lender, they should be able to discuss options with you and the sooner you do this, the better the help they can give you. The lender will want to keep you in the property and put a plan in place to support this.

If you don't contact the mortgage lender, it's very likely that they will attempt to contact you to discuss the options, but as they won't be initially aware of any help you need, you may just get letters to start with. You are therefore better to contact them and not delay any potential help they can give you.

If you miss or are late with mortgages payments, it will be recorded on your credit report. If these continue and you don't pay the arrears, further action could be taken and the final resort could be property repossession. (which means the lender selling the property to pay off the mortgage, any debt left would still need paying).

If you have built up missed payments (arrears), the lender may offer to capitalise them (which means they add them to your mortgage balance), set up a repayment plan to pay the arrears in instalments or ask for a full payment of the arrears.

If you fail to stick to any agreed repayment plan, your lender may take further action to collect the debt. This could lead to repossession of the property.

What support can the Mortgage Charter offer me?

Due to rapidly rising interest rates, the Government announced the [Mortgage Charter](#) in June 2023.

If your mortgage lender has agreed to the Charter, you'll have extra support available to you should you require it.

If you're worried about rising or high interest rates, read [our blog on the Mortgage Charter](#) to find out what extra support is available to you.

Are there other options available?

Options to discuss with your current mortgage lender:

You could also speak to your mortgage lender to see if they have any **better interest rates**, which may save you money.

You could ask for a **payment holiday** for a couple of months. However, this could be recorded on your credit report, and you'd need to catch up with the payments before the mortgage ends.

By **extending your mortgage term**, your monthly repayments will reduce. However, before looking at this option, you should decide on whether repaying the mortgage over a longer of period of time is feasible.

For example, if you're approaching retirement age and decide to extend the term by ten years, will your savings and pension be enough to cover it? This would also be dependent on the lender's criteria to check for affordability and if this was a suitable solution.

As a short-term solution, you could look at **switching to an interest-only mortgage**. It's a short-term fix as you're only repaying the interest part of the mortgage and you'll still need to pay the amount you borrowed before the end of the term.

If you're on certain benefits, like Income Support or Pension Credit, you could also receive help from the government with your mortgage payments under the Support for Mortgage Interest.

You could also speak to a Mortgage broker, who would look at all your mortgage options. There might be a chance to get a better interest rate and save money by moving to a new lender.

How can I clear my mortgage arrears?

One of the first steps is creating a budget to better understand your financial situation.

1. List your income and expenditure, including a list of your debts.
2. This will allow you to see if you have any money left over (known as a surplus) and this will be the amount you can afford to pay towards your arrears.
3. See if you can increase your income and/or reduce your spending .
4. Contact your lender to see if you can agree a new payment plan. If you send them a copy of your budget, they'll be able to see that you're paying as much as you can.

Can I sell my property if I'm in arrears?

This is an option if you're unable to pay the amount you owe, but the options above should be considered first.

If you have negative equity, which means your mortgage balance is more than the property value, you would still have to repay that remaining balance. A lender may still look at a payment plan for you to do this. It might be an option that you live with family or friends. If you are going to rent a property, you need to consider if the rental payment is affordable.

Can I stop my home being repossessed if I'm behind on arrears?

Firstly, make sure you contact your lender and be completely honest. Many lenders will be willing to help, so ignoring them will only make the situation worse.

The Breathing Space scheme's aim is to help alleviate stress by giving you time to organise how you deal with your debts.

If you qualify for it, you'll be given 60 days respite from any incurred interest, fees or court action. Your lender won't be able to evict you during the Breathing Space period, either.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.