



# DENTAL & MEDICAL

## FINANCIAL SERVICES

### Dental & Medical Financial Services

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## What to do if you can't pay your mortgage

Talking to your lender as soon as possible to make them aware of your situation is key

Over the past year and a half, the Bank of England's base rate increases have led to a spike in monthly mortgage payments, making it increasingly difficult for some mortgage holders to meet their obligations.

This is particularly true for those transitioning from five-year fixed rates, who may face a sudden rise in payments if they hadn't anticipated the increase in mortgage rates. In 2018, fixed rates were below 2%; however, currently, the best rates hover around double that for fixed and variable mortgages at 60% LTV. As a result, some borrowers may find themselves paying twice as much as before.

### Lenders will do their utmost to help you retain your home

If you're one of those struggling, the good news is that lenders today are more patient and considerate than they were during the early '90s and mid-2000s recessions. Repossession is typically considered a last resort, and lenders will do their utmost to help you retain your home. This was evident during the pandemic when the 'mortgage holiday' scheme allowed financially affected homeowners to defer their repayments for up to six months.

If you're already in default or foresee difficulty making your next mortgage payment, it's crucial to communicate with your lender immediately. This will help mitigate any potential financial penalties or other adverse consequences. Your lender is there to assist you, and the earlier you can discuss how to navigate the situation, the better.

### What assistance is available?

Each lender has unique terms, and what they're willing to offer depends on your individual financial situation and borrowing level.

### Here are a few options to make your mortgage payments more manageable:

**Extending your mortgage term:** A longer term reduces your monthly capital repayment, but you'll carry the mortgage debt for a longer period and pay more interest over time.

**Switching to interest-only:** If you currently have a repayment mortgage, your lender might agree to switch you to an interest-only plan for a while, dramatically reducing your monthly payments. However, remember that you'll still have to repay the capital eventually.

**Reducing your payments:** You might be able to lower your payments for a certain period, but you'll need to compensate for the deferred amount later.

**Taking a payment 'holiday':** If you're facing temporary financial difficulties but expect improvement soon, you might be able to pause your monthly payments, as many did during the pandemic.

### Understand how your lender plans to redistribute the deferred amount

Remember, if you take a payment break or reduce your monthly capital repayments, interest will continue to accrue on the total amount you owe, leading to slightly higher

payments over the mortgage term. You should also understand how your lender plans to redistribute the deferred amount. They will typically extend your mortgage term or increase your remaining monthly repayments.

Lastly, if you have other costly debts adding to your financial troubles, discuss with your broker the possibility of remortgaging to release equity to settle those debts. You might find a relatively inexpensive borrowing solution by consolidating all your debts into your mortgage. ■

### Need professional advice for your circumstances?

Your mortgage is likely to be one of the biggest financial commitments you'll ever make, and given its long-term nature, it's crucial to get it right. Given the complex nature of mortgages and the vast array of products available, we are here to provide professional advice for your circumstances. To learn more about how we could help, please contact us.

THINK CAREFULLY BEFORE SECURING  
OTHER DEBTS AGAINST YOUR HOME.

YOUR HOME MAY BE REPOSSESSED IF  
YOU DO NOT KEEP UP REPAYMENTS ON  
YOUR MORTGAGE.