MONEY AND MENTAL HEALTH
POLICY INSTITUTE

NO PLACE LIKE HOME

Supporting people with mental health problems in mortgage difficulty

Francesca Smith

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About the author

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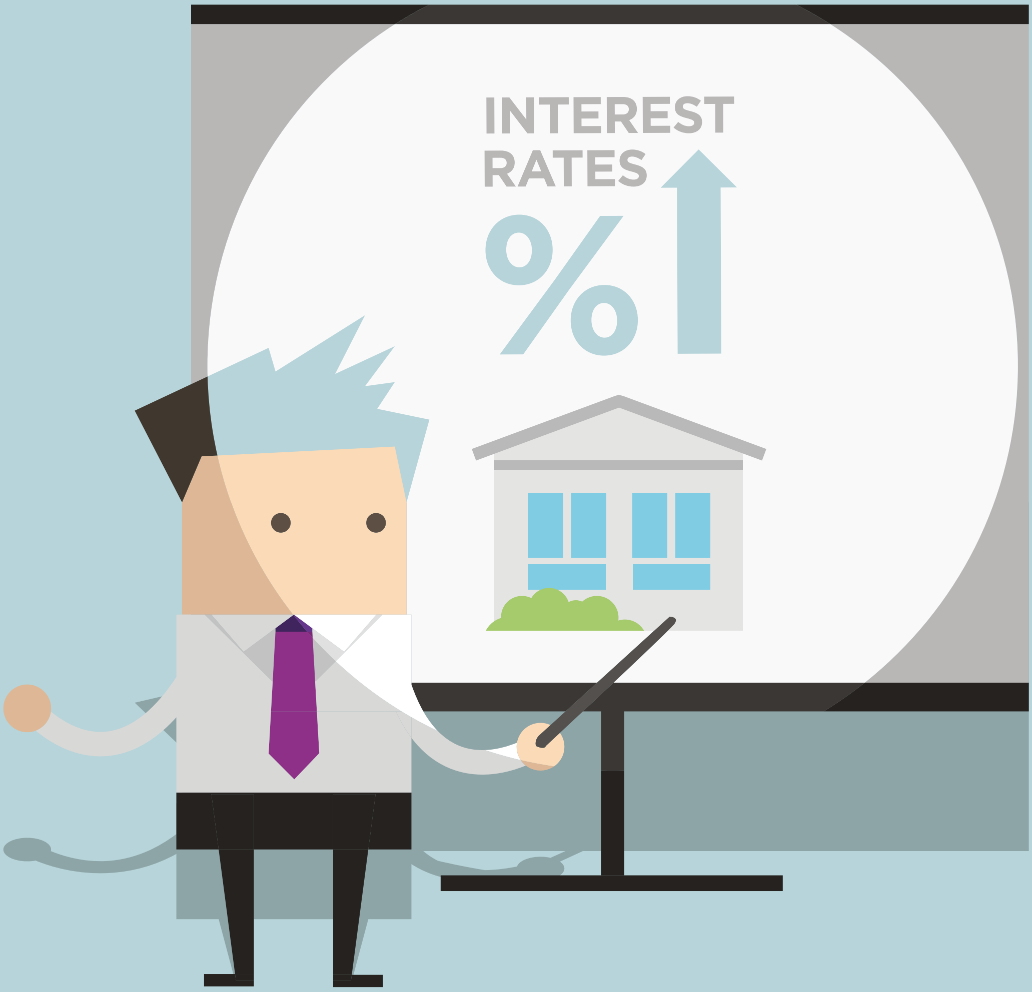
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Executive summary

Mortgage interest rates are close to the highest they've been in over a decade, and people with mental health problems are at the sharp end of the mortgage crisis

- Hikes in interest rates have been a bitter pill to swallow for the 1.4 million households who saw their fixed-rate deal end in 2023. With another 1.6 million households expected to move off more affordable deals in 2024, higher mortgage payments will be a struggle for many of us in the years ahead.
- While rates of repossession have remained low, many mortgage holders have been forced to take action to keep up with rising repayments, which is having an impact on their mental and financial wellbeing. But for the three in ten mortgage holders who have experienced a mental health problem in the last two years, those impacts are often felt more acutely.
- A perfect storm of rising payments, lower incomes, hits to earnings and the practical challenges caused by symptoms of mental health problems are leaving many people with mental health problems struggling to keep up with their mortgage payments.
- Half (52%) of mortgage holders with recent experience of a mental health problem have taken drastic action in the past 18 months in order to stay up to date with their mortgage repayments, including cutting back spending on essentials like food, energy and medicine. In contrast, only one third (35%) of mortgage holders who have not recently experienced a mental health problem have had to take such steps.

Mortgage holders with mental health problems are at greater risk of harm when their home is at stake

- When faced with struggling to keep up with repayments, many people's thoughts often spiral to fears of losing their home. But this fear can be particularly overwhelming for people with mental health problems. This fear can begin from the very first sign of mortgage payment difficulty, even before falling into arrears.
- People with mental health problems told us how they experienced fear, panic and powerlessness, making asking for help or responding to offers of support incredibly difficult.
- For the minority who have lost their home, the shame, loss and trauma they experience can have a lasting psychological impact.

The support available for mortgage holders is too often not designed with the needs of people with mental health problems in mind

- Lenders offer a range of support to assist people struggling with mortgage repayments. But for people with mental health problems, this support can be much harder to access.
- Symptoms of a mental health problem, such as low mood, anxiety and difficulties with processing complex information and decision making, can make accessing support and making informed decisions about a mortgage feel impossible.
- Lenders' communication practices can inadvertently discourage people from reaching out for support. Generic, automated and standardised letters, or relentless and aggressive communication practices, can be incredibly distressing and drive customers further away from the support available.

- Two-thirds (65%) of mortgage holders with mental health problems said they would feel anxious about reaching out to their mortgage provider if they were struggling to keep up with payments, compared to four in ten (41%) without mental health problems.

Key recommendations:

Mortgage lenders should help mortgage holders with mental health problems by:

- Utilising both internal and cross-sector data to identify customers experiencing, or at risk of experiencing, mortgage payment difficulty.
- Training all customer-facing staff to have a sound understanding of the additional needs of people with mental health problems and how to adapt the service they provide.
- Ensuring customers with mental health problems who are in, or at risk of falling into, arrears are met with compassionate and tailored support. This should include routing people with a mental health problem to a Specialist Support Team and offering a designated caseworker to people with a mental health problem who have fallen behind.
- Proactively informing customers of the help they can provide, including regularly reminding all mortgage customers that there is support available and how they can access it. Also, providing monthly reminders to customers who are scheduled to move to a new fixed-rate that they can switch to a better deal if one becomes available.
- Routinely collecting information from all customers around preferred channels and consistently using the customer's preferred channel to communicate.

The Financial Conduct Authority should protect customers from the financial and psychological harm arising from mortgage payment difficulty by requiring firms to:

- Use internal and cross-sector data better to identify where a borrower might particularly benefit from a proactive offer of support.
- Offer customers a range of options regarding how they choose to be referred to a debt advice organisation, including a warm transfer – such as making a telephone appointment for them or transferring someone on the phone directly to support – or a digital referral.

Introduction

Over the last two years, the Bank of England has raised the interest rate at which it lends in order to tackle inflation. This led to the cost of borrowing for consumers rising to its highest level since the 2008 global financial crisis. As a result, the typical mortgage holder faces a monthly mortgage payment increase of £240.[1] With this, the fear of losing your home has become a reality for greater numbers of people.

In 2023, 1.4 million mortgage holders saw their fixed-rate deal expire. The vast majority of these deals were agreed in 2021 or earlier, when interest rates were at considerably lower levels. Many others on variable or tracker rate mortgages have been feeling the pain of interest rate rises for some time.[2] As we start 2024, another 1.6 million households are expected to roll off fixed-rate deals and face significant payment hikes this year.[3]

In November 2023, the Office for Budget Responsibility forecast that mortgage rates would soar and remain higher for longer than previously expected.[4] While some lenders have begun 2024 by cutting the interest rates charged on their mortgage products, there is little expectation that the cost of borrowing will return to pre-2022 levels in the near future. All this comes at a time when people are already struggling with rising costs of essentials like energy, food and transport.[5]

Why the mortgage crisis matters for people with mental health problems

Our past research explored the mental distress experienced by people in social housing rent arrears. In that research, we found the psychological toll of housing payment difficulties was magnified for people with mental health problems – and can serve to exacerbate symptoms such as low mood and anxiety.[6] In this paper, given the increasing debt burden of a mortgage, we focus on mortgage holders and explore the mental health impact of struggling with mortgage payments and the fear of losing your home.

We've previously evidenced how people with mental health problems face a range of systemic challenges, including lower average wages, lower employment rates and a greater likelihood of relying on benefits,[7] all of which can make it harder to keep up with mortgage payments. People with mental health problems have also been hardest hit by the cost of living crisis, and they're nearly three times as likely to be behind on household bills compared to the rest of the population (11% vs 4%).[8]

1 Bank of England. Financial Stability Report. December 2023.

2 ONS. How increases in housing costs impact households. 2023.

3 UK Finance. Mortgage Data. (Accessed: 28/11/23).

4 Office for Budget Responsibility. Economic and fiscal outlook. November 2023.

5 Although inflation has fallen significantly in recent months, the cost of essential goods and services continues to rise – albeit at a slower rate than we have been seeing. Prices are on average more than 15% higher than they were in November 2021: Dibb G. IPPR Press Release. 2023.

6 Bond N, Evans K, Holkar M. Where the heart is. Money and Mental Health Policy Institute. 2018.

7 Bond N, D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

8 Murray T, Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.

The policy context

With mortgage holders experiencing the highest interest rates in over a decade,[9] and the mental health impact of the cost of living crisis becoming increasingly apparent, there is a real risk that some mortgage holders will simply be unable to cope with the looming increase in mortgage repayments. Positively, the government and firms stepped in last summer to address this. Through the introduction of the Mortgage Charter, the sector standardised a raft of measures to support customers through this period of high inflation.[10] We welcome these measures – and this support goes some way to mitigating the mental health impact of the cost of living crisis. Yet, given the huge financial impact and psychological toll associated with struggling to keep up with mortgage payments and falling into arrears, there is still more to be done.

This report

This report will consider how well existing support is working for those who are struggling. We will examine the mental and financial health impacts of struggling to keep up with mortgage payments and how having a mental health problem can affect those experiences. Finally, we'll explore opportunities to improve support for those struggling with their mortgage. To do this, we:

- carried out an online survey of the Money and Mental Health Research Community, a group of nearly 5,000 people with lived experience of mental health problems, who are at the heart of everything we do. In total, 219 respondents completed the survey on people's experiences of keeping up with their mortgage between August 4 and 15, 2023
- conducted an online focus group with eight respondents on 14 September 2023
- commissioned YouGov to run a nationally representative online poll of 2,150 adults over 18-19 September 2023
- held a roundtable attended by policy experts from various organisations, including academics, think tanks and consumer organisations
- carried out 12 interviews with experts across the mortgage industry, including individual firms, the Financial Conduct Authority (FCA) as the regulator and trade bodies.

More detail on our approach to the research is available in a methodological annexe.

This report is structured as follows:

- Section one explores the **challenges experienced by mortgage holders with mental health problems as a result of rising interest rates** and the toll these are taking on their financial wellbeing.
- Section two investigates **how the psychological impact of struggling to keep up with mortgage payments can exacerbate mental health problems**.
- Section three outlines the **difficulties mortgage holders experiencing mental health problems encounter when trying to access support available from lenders**.
- Section four makes recommendations to mortgage lenders, the FCA and the government to **better protect mortgage holders from psychological and financial harm**.

9 Bank of England. Interest rates and Bank Rate. (Accessed: 02/01/24)

10 Gov.UK. Mortgage Charter. (Accessed: 02/01/24)

Section one: The challenges facing mortgage holders with mental health problems

A mortgage is typically the biggest regular expense that leaves homeowners' accounts each month. When this cost rises, the impact on our mental and financial health can be huge.[11] As a result of recent interest rate hikes, mortgage holders are expected to see their disposable income drop by up to a fifth.[12] This will be a financial blow to many mortgage holders, especially those already struggling to make ends meet. The wider rise in living costs mean that many people have little room to accommodate soaring mortgage payments.[13]

Just under three in ten (28%) UK households own their home with a mortgage.[14] Positively, mortgage holders have traditionally reported better mental and financial health than people living in other tenures.[15 16] But this view of homeowners as more mentally healthy and financially resilient is only half the picture.[17] There are over 1.7 million mortgage holder households on low incomes.[18]

Three in ten (30%) mortgage holders surveyed say they have experienced a mental health problem in the last two years.[19] Given a mortgage is often a lifetime product, it's worth noting that this rises to half (50%) when including those who have ever experienced a mental health problem.[20]

1.1 Mortgage arrears are the tip of the iceberg

One way of understanding the scale of financial harm posed to mortgage holders is official data on arrears and repossessions. These headline statistics remain historically low: the proportion of total residential mortgage balances in arrears rose only slightly from 0.96% in Q2 2023 to 1.06% in the following quarter and remains much lower than the previous peak of 3.38% in Q1 2009.[21]

But our research finds that this data is likely hiding much of the financial strain many households are under, and focusing on those who've already fallen behind on payments conceals a worrying bigger picture. Many more are already struggling to get by and are diminishing both their financial resilience and mental wellbeing in the meantime.

11 Cairney J, Michael B. Home ownership, mortgages and psychological distress, Housing Studies, 2004; 19:2, 161-17.

12 Waters T, Wernham T. Interest rate hikes could see 1.4 million people lose 20% of their disposable income. IFS. 2023.

13 Hourston P. Cost of living crisis. Institute for Government. 2023.

14 ONS. Subnational estimates of dwellings and households by tenure, England: 2020. 2022.

15 Nettleton S, Burrows R. Mortgage debt, insecure home ownership and health: an exploratory analysis. Sociology of Health & Illness Vol. 20 No.5 1998; 731–753.

16 Supporting this, our polling found that homeowners with a mortgage are less likely to have recent experience of a mental health problem than the general population (28% vs 35%), and are less than a third as likely to be behind on essential bills or payments than those renting privately (16% vs 53%).

17 Smith S, et al. Wellbeing at the edges of ownership. Environment and Planning A: Economy and Space, 2017; 49(5), 1080-1098.

18 Earwaker R. Low-income mortgage holders must not be ignored amid interest rate rises. Joseph Rowntree Foundation. 2023

19 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

20 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

21 These figures represent regulated, residential loans to individuals in arrears only. These are calculated by the FCA as 'balances outstanding as % total loan balances'. This includes balances in arrears of 1.5% or more of their loan balance. See: FCA. Mortgage Lending Statistics. December 2023.

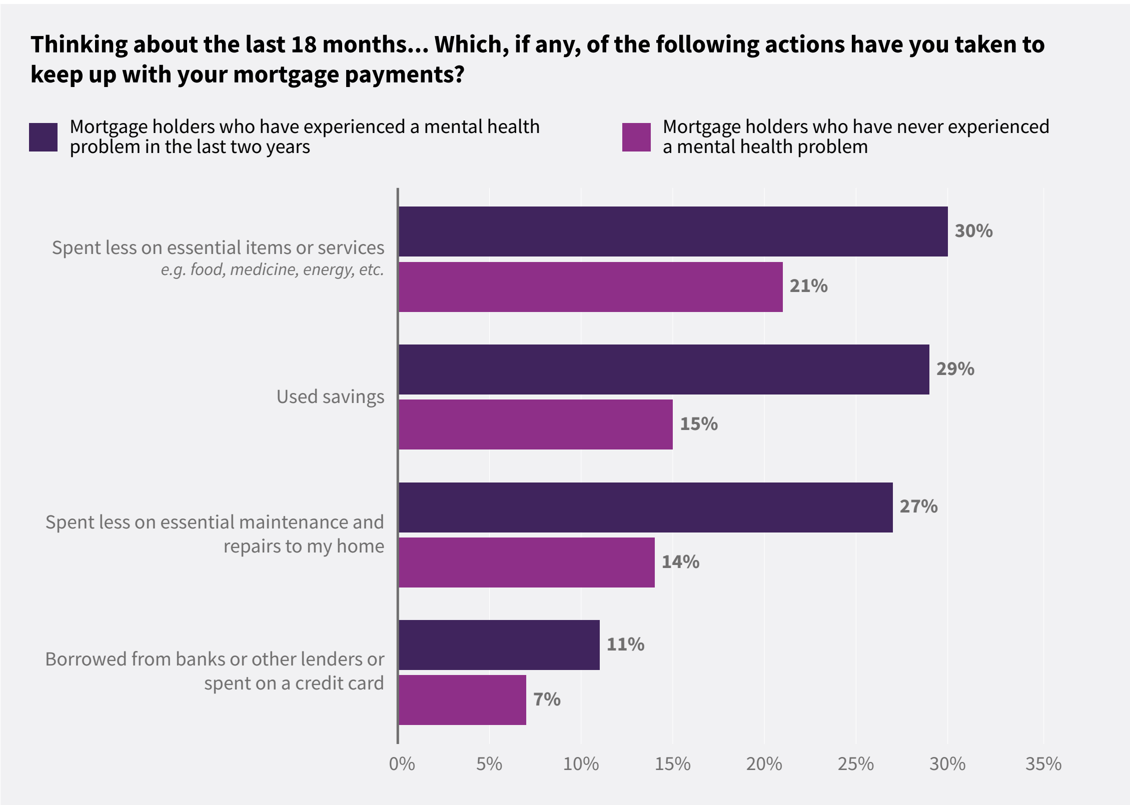
1.2 Mortgage holders are taking drastic action

Since a mortgage usually pays for the roof over its holder's head, it makes sense that people typically prioritise keeping up with their repayments above all else.[22] Our polling finds a significant proportion of mortgage holders are taking action to plug the gap in their finances and keep up with rising mortgage costs, and those with mental health problems are most likely to have had to take action.

People are often willing to make tough financial decisions before falling behind on their mortgage.[23] Unfortunately, the number of mortgage holders making difficult trade-offs is likely to grow: the mortgage industry regulator, the Financial Conduct Authority (FCA), expects another 356,000 borrowers could face payment difficulties by the end of June 2024.[24]

However, we found that people with mental health problems can be at the sharp end of this drastic action, with over half of mortgage holders with experience of mental health problems in the last two years (52%) having been forced to take action to stay on top of their mortgage payments, compared to a third of people who have never experienced mental health problems (35%).[25]

Figure 1: People with mental health problems are more likely to have taken action in the last 18 months to keep up with mortgage payments



Source: Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

22 Sheehy E. Everything is fine? Citizens Advice. 2023.

23 Waldron R, Redmond R. "We're just existing, not living!" Mortgage stress and the concealed costs of coping with crisis, Housing Studies, 2017; 32:5, 584-612.

24 FCA. FCA confirms help for mortgage borrowers struggling with payments. 2023.

25 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

As Figure 1 shows, three in ten mortgage holders with mental health problems have spent less on essentials like food, energy and medicine to keep up with mortgage payments, compared to a fifth of those who've never experienced a mental health problem (30% vs 21%). Mortgage holders with mental health problems were also twice as likely as those without such conditions to have used savings (29% vs 15%), and to have reduced their spending on essential maintenance and repairs to their home (27% vs 14%).

1.3 When paying the mortgage can damage your mental health

Relying on the measures detailed above to stay up-to-date with mortgage payments can significantly harm the mental and financial health of mortgage holders. As our previous research has shown time and again, making these kinds of difficult financial trade-offs can directly take its toll on our mental wellbeing.[26] This is particularly acute for mortgage holders with mental health problems, for whom taking such harmful action can exacerbate existing challenges.

Financial circumstances that force us to go without essentials like heating or eating can affect our sense of self-worth, energy and sleep. Drawing on savings or taking out new credit can reduce our financial resilience and raise our indebtedness. Importantly, people cannot take these actions indefinitely. Eventually, savings dwindle, borrowing capacity is reached and essential spending is cut to the bone.

Case study[27]

Michelle, 49, is a single working mother. Since her divorce four years ago, she has covered the bills by herself and managed to keep up until the cost of living rose significantly.

Initially, she tried to make ends meet by taking on extra hours at work and using her life savings to cover the difference. Then, Michelle's fixed-rate deal on her mortgage ended. Due to interest rate rises, the new fixed rate that she could secure costs her £330 more per month.

With her monthly spending already slashed and savings dwindling, there simply isn't space in her budget to accommodate this cost hike. Michelle has resorted to reducing the number of meals she eats to stay up to date on her mortgage, which is taking its toll on her mood, energy and self-esteem. Even then, she feels hopeless as she knows that the price of a food shop is a drop in the ocean compared to a monthly mortgage payment. The thought that she could fall behind on her mortgage payments and lose her home is the greatest worry of all and often keeps her awake at night.

"It was a constant worry. It kept me awake at night. It was also the first thing I thought about when doing the food shopping, as in questioning myself if I could afford to pay the mortgage if I put anything in my basket."

Expert by experience

Indeed, we are already seeing the effects of rising inflation and interest rates in money advice services. While mortgage holders have historically made up a small proportion of those seeking help from debt advice services, this number has grown significantly over the last few years. Data

26 Holkar M, Mackenzie P. Money on Your Mind. Money and Mental Health Policy Institute. 2016.

27 The case studies included in this report do not represent any single member of the Money and Mental Health Research Community, but are based on thematic analysis of qualitative data and written to illustrate the circumstances people face

from Citizens Advice shows that the number of mortgage holders it's helping with crisis support – including food bank referrals and emergency charitable grants – has risen by 177% between the first six months of 2020 and the same period in 2023 (1,521 to 4,215).[28] Those seeking support are in acute difficulties, too. Citizens Advice data also shows that over half (53%) of mortgage holders they help are now in a negative budget, meaning they have £0 or less left after paying for essential living costs. This is up from a third (35%) in 2019.[29]

1.4 Mortgage holders with mental health problems at the sharp end

When interest rates rise, we might all expect to curb our spending accordingly to meet our essential outgoings. However, Research Community respondents shared how cutting back to keep up with their mortgage repayments was not a matter of foregoing luxuries, like plush holidays or expensive meals. Instead, respondents shared how they skipped meals, did not turn the heating on in the winter and washed themselves less to reduce costs.

> "Having to pay [the mortgage] in full from my income benefits leaves me unable to do anything else. I had to give up my hobby of fishing, which was the only day each week I leave the house [...] I struggle to find a reason to stay alive most days while I sit in my bedroom to reduce electricity consumption and don't have the heating on, or a TV as I can't afford that licence now."

Expert by experience

For some, resorting to such actions may still not be enough to keep up with the magnitude of payment rises. For others, taking these actions won't be possible if they've already run-down their savings and cut spending to the bone to cope with rising costs.

1.5 A perfect storm of factors are at play

In September 2023, the Bank of England estimated that the typical mortgage holder rolling off a fixed rate deal would see payment increases of £220 per month.[30] [31] [32] Against this backdrop (as shown in Figure 2), in our polling we asked people with and without mental health problems if they would be able to withstand this kind of increase.

Again, our polling found that mortgage holders with mental health problems are faring worse. Half of mortgage holders with mental health problems (50%) polled disagreed that they could keep up with a £220 increase in monthly mortgage payments, compared to two in five (41%) mortgage holders without mental health problems. This suggests that people with mental health problems are at a greater risk of falling into mortgage payment difficulty. Box 1 details the systemic and personal factors which can make it harder for people with mental health problems to keep up with mortgage repayments.

28 Citizens Advice. Mortgage holders face average shortfall of £150 a month as high interest rates bite. 2023.

29 Citizens Advice. Spotlight on our housing data. (Accessed: 19/12/23)

30 Bank of England. Financial Stability Report. September 2023.

31 This rose further to £240 in the December release. Bank of England. Financial Stability Report. December 2023.

32 For people with particularly high mortgage debt remaining, and those on standard variable or tracker rate deals, this number is likely to be much higher.

Figure 2: People with mental health problems are less able to keep up with projected mortgage payment rises

Source: Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

Box 1: Systemic and personal factors which can make it harder for mental health problems to keep up with mortgage repayments

Our past research shows that people with mental health problems face systemic challenges, which means they were already struggling before the mortgage crisis hit, specifically:

- **Lower average incomes** – Annual median income for people with common mental disorders (CMD) like anxiety or depression is just over two-thirds (68%) that of people without those conditions, equivalent to a gap of £8,400.[33]
- **A combination of factors contribute to the mental health income gap** including lower employment rates, lower average wages when in work, higher levels of dependency on benefits and greater likelihood of experiencing income shocks, such as job loss or a benefits reassessment.[34]
- **The cost of living crisis has entrenched inequalities** – those of us with mental health problems are three times more likely to be behind on at least one key payment – like energy bills, rent or credit cards – compared to people without mental health problems (19% compared to 6%).[35]
- **Common symptoms associated with many mental health problems** like poor memory and concentration, low motivation, and feelings of anxiety, can make it challenging to manage tight budgets, control spending, and effectively prioritise mortgage payments.

33 NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

34 Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

35 Murray T, Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.

To find out more about how these challenges can affect the ability of people with mental health problems to keep up with mortgage payments, we asked Research Community members who had ever fallen behind on one or more mortgage payments about the factors that caused them to do so. As Figure 3 illustrates, while rising payments were a key reason respondents fell behind, experiences directly related to having a mental health problem, such as a deterioration in their mental health or a period of sickness absence from work, also played a vital role in falling behind on payments.

Figure 3: A combination of different factors typically plays a role in why people with mental health problems fall behind on their mortgage repayments

Source: Money and Mental Health survey. Base for this question, 94 respondents with lived experience of mental health problems who had ever fallen behind on their mortgage payments.

Crucially, for people with mental health problems, it's often a perfect storm of factors that leads them to fall behind on their mortgage payments. Only one-third of respondents (32%) reported that a single factor led to them falling behind. Over half of respondents (52%) identified a combination of three or more factors that led to them falling into arrears.[36] This shows how when lenders view a single issue as the root cause of people's arrears, they're missing vital opportunities to understand people's wider circumstances and appropriately support them.

> "My ex-husband stopped paying his share [of the mortgage] without notice and then my anxiety increased but I was managing to pay the full amount. However, each increase came [and] my worries and anxiety got worse as the payments increased by £200. I lost my job in March, and now I can't afford to pay anything on my mortgage and utilities, which has impacted my mental health."
>
> *Expert by experience*

36 Money and Mental Health survey. Base for this question: 94 Research Community members who have experience with falling behind on mortgage repayments.

Section one summary:

- Headline statistics on mortgage arrears and repossessions, which remain low, conceal the extent of mortgage pain being felt by millions across the tenure – and people with mental health problems are at the sharp end of this.
- Mortgage holders with mental health problems are more likely to be taking drastic and harmful action to keep up with rising mortgage payments. This includes using life savings and cutting back spending on essentials like food, energy and medicine.
- These actions are usually unsustainable and often come at the expense of mortgage holders' financial resilience and mental wellbeing and risk exacerbating the challenges that mortgage holders with mental health problems likely already face.
- Mortgage holders with a mental health problem, who are starting from a more precarious financial position, are more likely to be concerned about their ability to withstand future projected mortgage payment rises. They're at a greater risk of falling into payment difficulty and fearing losing their home.
- A perfect storm of factors, including rising payments, low income, income shocks and the symptoms of mental health problems, are contributing to the greater challenges people with mental health problems face in keeping up with their mortgage.

Section two: How struggling with mortgage payments can aggravate mental health problems

As evidenced in the previous section, even after taking drastic actions to keep up with mortgage payments, many people with mental health problems are still concerned about their ability to keep up with repayments. In this section, we explore the experiences of people with mental health problems when they fear being at risk of losing their home.

2.1 How people with mental health problems respond when they fear losing their home

Our polling found that mortgage holders with mental health problems are more likely to be feeling worried about their ability to keep up with rising mortgage payments than those without such conditions (40% vs 26%).[37] Our analysis found that this fear and worry played out in three key ways:

- Fear of losing their safe place
- Fear in anticipation of arrears
- A sense of powerlessness.

We'll explore each of these below.

Fear of losing their safe place

For many mortgage holders with mental health problems, their home is, in many cases, the place they retreat to from the additional challenges they face in the outside world. Their home is a sanctuary, offering space to recover and rebuild. This can make any risk of losing it feel particularly severe.

> "The threat of losing your home, especially when unwell, is just too much to bear. A home is not just bricks and mortar to us, it is our safe place, where we can rest and recuperate."
>
> *Expert by experience*

This fear was often constant and overwhelming. Respondents described how this often left them too paralysed to ask for help from their lender.

> "It made my mental health situation worse because I was always living on a 'knife edge' and worried we would lose our home."
>
> *Expert by experience*

Fear in anticipation of arrears

Perhaps most concerningly, for people with mental health problems, this intense fear of losing their home was often present from the very first sign of mortgage payment difficulty. Half of mortgage holders with mental health problems polled (50%) reported that even thinking about when their fixed-rate deal will come to an end negatively impacted their mental health, compared to a third (34%) of

37 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

those without such conditions.[38] This fear can begin even before a payment has increased or is missed. This was especially the case for those anticipating future mortgage payment hikes.

> "I'm constantly worried about the interest rate increase as my fixed rate ends in January and I don't know how much the new rate will be."

Expert by experience

A sense of powerlessness

One theme in our research that came through repeatedly was of a 'David and Goliath' battle. This power asymmetry stemmed from a combination of experiences, including that people viewed struggling with their mortgage with a deep sense of shame and personal failure. This was despite financial difficulties typically stemming from circumstances outside their control. This shame served as a barrier to people reaching out for support.

Others shared how experiencing the cognitive and psychological effects of a mental health problem – which can make advocating for themselves more difficult – felt powerless in the face of a complex mortgage market that can seem impossible to understand.

As a result, people talked of a sense that they were in a 'fight' with their mortgage company, and that fight required vast amounts of energy and motivation that many people with mental health problems simply don't have.

> "The constant threat of repossession massively impacts on your mental health and wellbeing. You cannot get away from the feeling of hopelessness, constantly worrying whether tomorrow will be the day that you receive the dreaded solicitors/litigation letter, and not having the strength to fight. The more pressure you are put under, the less able you are to cope, and you can completely shut off as a way of self preservation."

Expert by experience

Case Study

Ishan has a mortgage with his wife, who works part-time to care for their small children. Ishan was the family's main source of income until his mental health deteriorated, and eventually, he became unable to work. The combination of this significant blow to their income and rising interest rates that saw their monthly mortgage payments soar by £250, meant that covering the mortgage became a daily worry.

Ishan began paying for essentials using credit to prioritise the mortgage, creating mounting unaffordable debt until he ultimately fell behind on his mortgage.

Missing a mortgage payment for the first time in his life left Ishan feeling ashamed and in despair. Despite only missing one monthly payment, this intensified his anxiety and drove an overwhelming fear that his young family would become homeless. Too afraid that his lender would simply not understand or help, Ishan has avoided reaching out for support at all costs.

> *"If you don't have the security of a home, your whole world becomes unstable, and your well-being suffers. Fear is the worst feeling if you have mental health issues."*

Expert by experience

38 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

These responses are evidence that for many people with mental health problems, any fear of losing their home can significantly exacerbate existing symptoms of conditions like anxiety and depression, including feelings of hopelessness, shame and low self-esteem.

2.2 How people with mental health problems respond when they lose their home

Fortunately, only a minority of mortgage holders lose their home. The FCA reports that just 0.007% of homeowner loans ended in repossession in the third quarter of 2023.[39] However, the experiences of people with mental health problems who've been at any risk of losing their home and those who've actually been through that process were strikingly similar. Unfortunately, feelings of fear, worry, hopelessness and shame were often present for both groups.

The process of being left with no other option but to sell the home people have worked all their lives for or to receive a court summons for repossession can be highly traumatic. The psychological harm experienced can be further compounded if lenders overwhelm customers in arrears with communications that are perceived as aggressive or threatening.

> "[My lender] was not very understanding after a short time, sent threatening letters and tried to repossess my house and took me to court. I was able to sell my house and pay off the mortgage. However, the effect still now impacts my mental health, and I have not really recovered."
>
> *Expert by experience*

While exiting homeownership and selling their home might be the best way forward for some, this was often experienced as being forced or bullied by the lender to sell up rather than an empowered and active choice.

> "My mortgage lender offered a payment holiday but only on condition that I put my house up for sale. I had no other option than to agree to this, or my property would be repossessed."
>
> *Expert by experience*

A sense of profound loss

Those who had actually lost their home frequently shared feeling a deep sense of loss.[40] Respondents touched on their loss of independence and need to rely on others for housing, the loss of the home they had often lived in for decades raising children and the loss of their local community and neighbours in moving to a new area. People felt they were almost having to start life again as a result.

> "I lost my home, my independence, my ability to provide for my children, had to rely on family to help me financially, which led to me feeling suicidal, and I had several suicide attempts which resulted in a stay in a mental health ward and under the care of the crisis team."
>
> *Expert by experience*

39 This figure is calculated by taking the number of new possessions in the quarter (712) as a proportion of the number of loan accounts (10,359,660). It refers to regulated, residential loans to individuals only. See: FCA. Mortgage Lending Statistics. December 2023.

40 Money and Mental Health survey. Base for this question: 89 Research Community members who have experience with falling behind on mortgage repayments 41 of whom answered yes to the question "Have you ever received a letter informing you that your mortgage provider would begin action to repossess your home?"

The impact of this loss on their mental health was colossal, with people reporting that they felt it affected every aspect of their lives and endured for many years.

Experiences of suicidality

Although there is rarely just one factor that drives people to consider taking their own life, our Research Community members who lost their home frequently shared that this experience contributed to feelings of suicidality.[41] People described feeling unable to live with their sense of shame and loss. While help is always available for people feeling suicidal, some thought there was no way out of the challenges they faced as a result of repossession, such as the prospect of homelessness or high levels of indebtedness.

> "It is so so stressful and heartbreaking. I was so lost – I could not find a way out. It got so bad I contemplated taking my life a number of times."
>
> *Expert by experience*

The following section will build on our understanding of these experiences to show how these symptoms and experiences can make it even trickier to reach out to lenders for help.

Section two summary

- When faced with falling into arrears, people with mental health problems often experience a sense of constant and overwhelming fear of losing their home. This fear can begin from the very first sign of mortgage payment difficulty, making it even more challenging to reach out before things get worse.
- For the minority who do experience losing their home, this often has a catastrophic and lasting psychological impact. Those who have experienced this frequently said that the shame, loss and trauma they experienced frequently led to suicidal thoughts and feelings.

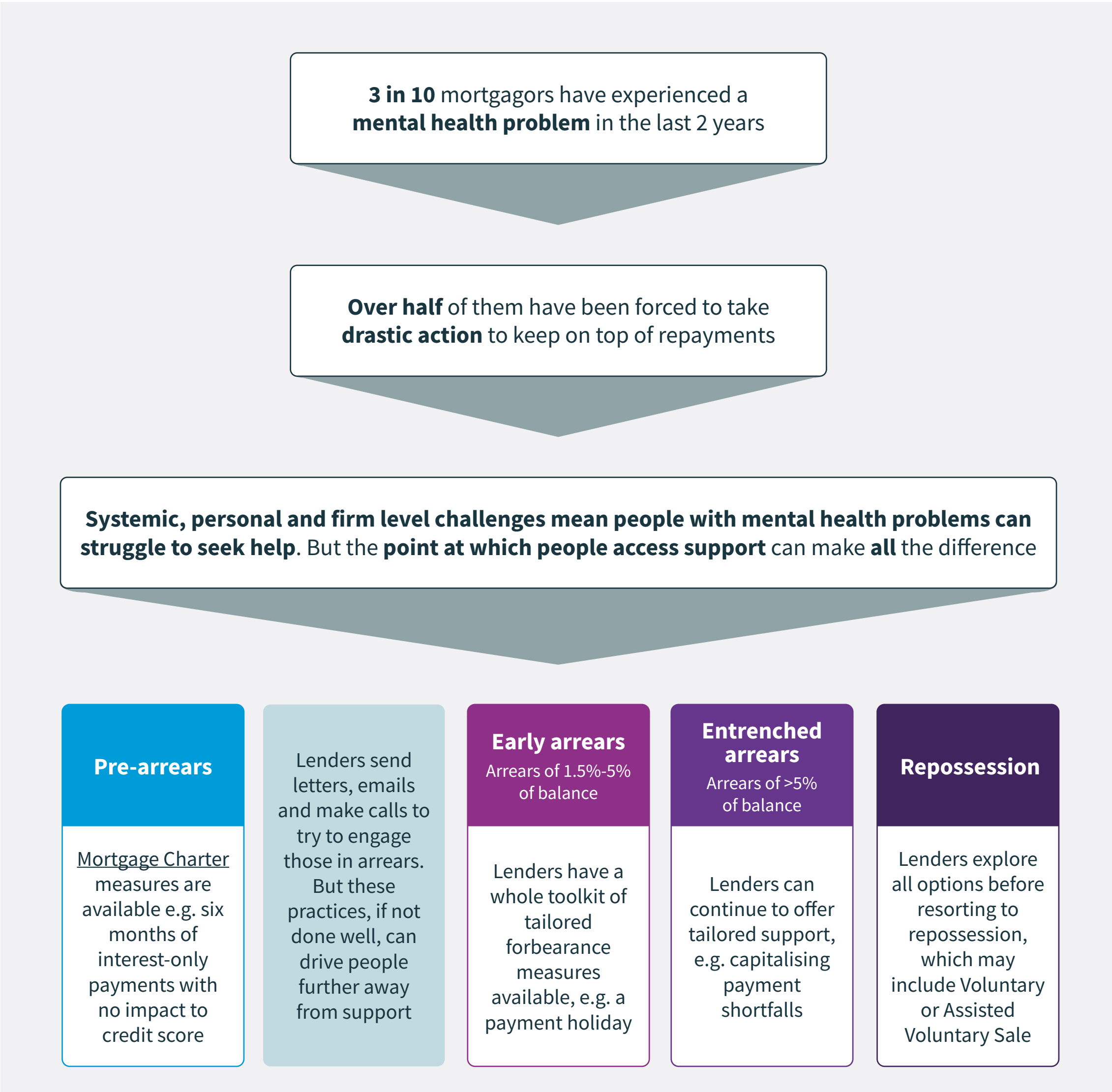
41 Holkar M and Bond N. A Silent Killer: Breaking the link between financial difficulty and suicide. Money and Mental Health. 2018.


ACCOUNT OVERDUE
FINAL WARNING
URGENT REMINDER

Section three: The challenge to accessing support from lenders

Lenders have a range of options to support people who are struggling with their mortgage payments, as illustrated in Figure 4 (and Appendix A and B). These measures are hugely welcome and present a great opportunity for firms to better support people at risk of or already experiencing mortgage arrears. But people with mental health problems can struggle to engage with these early on into experiencing difficulties meaning they often do not access support until they're in more acute arrears.

Figure 4: An illustrative example summarising the challenges faced by mortgage holders with mental health problems and the support processes they may encounter from lenders when struggling to keep up with repayments.[42]



Source: Money and Mental Health 2024.

42 This is an illustrative example – options available to customers will depend on personal circumstances and arrears stage. See the rest of the report for references.

3.1 Existing forbearance measures are not a silver bullet

Forbearance occurs when a mortgage lender offers temporary relief to a borrower who has fallen behind on repayments.[43] For example, this might be a payment holiday, reduced payments, or no-fees on missed payments (see Appendix A for more details). Firms often actively support customers for extended periods while they're in arrears, and some lenders remove customers identified as vulnerable from automated collections processes in favour of tailored support from a Specialist Support Team.

While these increased options and forbearance are incredibly welcome, they are not a silver bullet. Our research finds that current forbearance measures are often insufficient in isolation, and people with mental health problems can struggle to benefit from the support available. The symptoms of a mental health problem, either pre-dating mortgage payment difficulties or arising from those financial difficulties, can mean the barriers people face to reaching out and engaging with support are even greater and, for some, insurmountable.

Our polling found that two-thirds (65%) of people with mental health problems would feel anxious about reaching out to their mortgage provider if they were struggling to keep up with payments, compared to 41% without mental health problems.[44]

In this section, we show how mental health problems can impact how people access and engage with their lender. We identify three specific themes and explore each of these in turn below:

- Reaching out for help or responding to proactive offers of support
- Engaging with support
- Making decisions and taking action.

Reaching out for help or responding to offers of support can be an arduous task

For people with mental health problems, difficulties in keeping up with mortgage payments often extend beyond financial challenges. While a raft of options, support and forbearance measures are available, many people still struggle to access this support.

The cognitive and psychological effects of mental health problems can make it harder to reach out for help or to respond to support offers from lenders. Table 1 shows how symptoms such as reduced concentration and difficulties with clarity of thought or problem-solving can make it harder to engage with mortgage providers to address or resolve financial difficulties.

People described how reaching out for support was a herculean task. Taking the initial action to reach out often felt unimaginable, even when people knew how to get in touch and lenders had told people that support was available.

> "There is help out there. The problem is that when you feel at rock bottom, it's hard to reach out and take the help."
>
> *Expert by experience*

43 UK Finance. Industry Confirms Its Ongoing Support For Tailored Forbearance. 2023.

44 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years.

Table 1: Why people experiencing mental health problems are struggling to access and engage with support from mortgage providers

What is the problem?	What is the impact?	Expert by experience quote
Difficulties in understanding and processing information	People may take longer to process information or require additional prompts to provide the relevant information. This can also make answering questions accurately much harder.	*"[My mental health problem] made it hard to read and retain written information on getting help and made me incapable of speaking to anyone about it."*
Reduced planning and problem-solving skills	Faced with a complex problem, people can struggle to determine what actions to take to resolve it. This can make understanding complicated mortgage information and knowing what actions to take more difficult.	*"The thought of facing the problems became overwhelming. I was not able to think of useful options."*
Reduced attention span	Concentrating on a task for a prolonged period, such as filling in an income and expenditure form or engaging in a long telephone call can be incredibly difficult.	*"Not having the concentration to take in information or the energy! And not expecting a lender to understand how bad I feel in my head."*
Social anxiety and communication difficulties	Many people experiencing mental health problems struggle with some forms of communication. Previous Money and Mental Health research focusing on essential services found that half of people with a mental health problem struggle to use the telephone, and one in six struggle to open post.[45]	*"I couldn't open any mail, the phone was ringing so I didn't answer it in the end. I couldn't go out, couldn't even communicate with friends. Totally overwhelmed."*
Depleted energy and motivation	Low energy can make it difficult to complete basic self-care tasks such as washing and eating. Finding the motivation to contact mortgage providers can be overwhelming for some people.	*"I was depressed and unable to communicate with mortgage or debt companies, as it increased my anxiety. I was paralysed with fear."*

45 Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

Engaging with support can be overwhelming for those paralysed by fear

People can become paralysed by fear. In these instances, respondents explained that they knew they needed to take action but could not do so.

> "Sometimes it feels like being a rabbit caught in headlights. The mental & physical paralysis is all-consuming at times, and it can last for weeks!"

Expert by experience

In other cases, people are simply too unwell to engage with their lender to access forbearance or support.

> "I was so psychotic. I couldn't manage to care for myself, let alone manage my finances."

Expert by experience

Making decisions and taking action can feel insurmountable for those experiencing mental health problems

For struggling mortgage holders who have got in touch with their lender, the decisions they then face are complex and require active and informed decision making. People need to absorb significant amounts of information to make an informed decision about how to proceed. Each option available will have substantial consequences; these must be carefully weighed and balanced. While potentially daunting for anyone, experiencing poor mental health can make trying to find the best path forward in this situation a particularly tough task.

Moreover, the mortgage industry is heavily regulated. While lenders can outline a customer's options and the various competing factors involved, providing advice on the best course of action is a regulated activity. We identified two key responses to mortgage payment difficulties for people with mental health problems, each of which came with the risk of devastating consequences.

Uninformed and hasty decisions

Our Research Community members shared how the cognitive and psychological symptoms of mental health problems can mean weighing up the pros and cons of the decision at hand, retaining that information, or making a decision can feel overwhelming.

> "Many unwell people simply cannot deal with negotiating their new mortgage deal when their fixed rate comes to an end. This can mean people are making high repayments despite little affordability."

Expert by experience

People can also make hasty and potentially devastating decisions to escape mortgage pain. We heard examples of people agreeing hastily to unaffordable repayment plans or making ill-thought-out decisions simply to escape the stress and anxiety of what can feel like an impossible situation. People described making a decision that, in some ways, alleviates the immediate mental distress but has long-term ramifications.

> "It's embarrassing to be depressed, and no one cares, frankly. I couldn't face talking about it, so I just posted my keys back and moved into rental property."

Expert by experience

Yet firms' working understanding of mental capacity built into processes and procedures typically considers capacity as a binary concept, where a person either has capacity or doesn't.[46] In reality, capacity is much more nuanced than this, and is time-, circumstance- and decision-specific.[47] People require tailored support to understand, weigh-up and retain information to make a decision. However, how mortgage advice is regulated makes it tricky for firms to support customers through these decisions.

In addition to this, people with mental health problems can also encounter barriers to getting support with decision making from other sources. During periods of severe illness, support from a carer or loved one to manage finances may be required. But unfortunately, some Research Community members reported how their mortgage lender refused to liaise with a trusted person on their behalf. This prevented them from getting vital support with their mortgage payments, especially during acute illness.

> "Poor mental health meant I just couldn't cope and literally hid under my duvet for weeks. The fact that I couldn't nominate someone to deal with it on my behalf meant it just wasn't dealt with"

Expert by experience

> "Due to past trauma, I find phone calls extremely triggering. Mortgage company refused to speak to anyone else on my behalf, leaving me helpless."

Expert by experience

When 'burying your head in the sand' feels like the only viable option

Accessing timely support when you're struggling with your mortgage payments is crucial and can make all the difference to ultimate outcomes. People who can engage with their lenders early before they fall into arrears can often access several options to reduce their monthly payments temporarily or for the longer term. For people already in arrears, keeping in touch with lenders, updating them on your circumstances and agreeing on a plan of action is essential to prevent arrears and collections practices from escalating at what can feel like a rapid pace.

However, our research found that people in arrears can become so afraid of engaging with mortgage collections departments that they delay making a decision. For those struggling to get through the day, thinking about debt as big and insurmountable as a mortgage is overwhelming. A central theme to emerge from our research was this sense of people 'burying their heads in the sand'. Unable to change their financial circumstances and with difficulties confronting it, people disengaged and tried not to face it.

> "I would postpone calling the lender and have to psych myself up for days before doing so. I began to get anxious over call-making of any kind. Then receiving calls, too. To the extent that I removed the landline phone and set my mobile call to reject any not recognised numbers. Even so, my phone was permanently on silent."

Expert by experience

46 Bond N, Evans K, Holkar M. A little help from my friends. Money and Mental Health Policy Institute. 2019.

47 Mental Capacity Act 2005. c.3. (1)

3.2 Firms' communication practices can inadvertently discourage engagement

As evidenced throughout this report, many firms go to great lengths to proactively contact customers who fall behind on their mortgage payments. Automated and standard letters notifying people of their arrears and encouraging them to make contact accompany regulatory letters. Outbound calls are scheduled into a dialler system at varying levels of frequency in an attempt to engage customers.

However, doing this effectively can prove tricky. For people terrified of losing their home, when financial situations mean they cannot meet their mortgage payments each month, talking to their lender can be an incredibly daunting prospect. Often, firms fail to engage with the psychological state of customers in arrears and inadvertently behave in a way that discourages engagement. We identify five ways that firms' 'business as usual' processes actually drive people further away from support:

- Generic, poorly written, and automated communications
- Excessive frequency of arrears communications
- Failure to recognise the support needs of customers with mental health problems
- Lack of clarity on support available for customers struggling
- Insufficient emphasis on the value of free debt advice.

These practices can inadvertently encourage the very behaviours firms are trying to avoid.

Generic, poorly automated communications drive disengagement

Our research found that standardised and poorly automated outbound communications can alienate people with mental health problems and are often experienced more as a threat than support. Research Community respondents described frequent communications, with generic content that only added more fear and confusion.

> "What didn't help was the receiving of regular and persistent 'red letters' that are automatically generated."
>
> *Expert by experience*

> "They tell us that they're there to help via a big standard template. There's no personalised support."
>
> *Expert by experience.*

Standardised and automated letters are commonplace in collections practices and allow firms to communicate with huge numbers of people at large. But the experience for people on the receiving end is often less positive and serves to drive people further from the offers of support they so desperately need to engage with. While firms are unable to draft bespoke letters to each customer in arrears, more tailored segmentation of cohorts of customers based on common circumstances may allow for several versions of arrears letters which more accurately reflect the arrears on a customer's account and the tailored support available.

The frequency of communication can drive people further away

Research Community members described the frequency of the communications from lenders about payment shortfalls. The persistent nature of this communication often felt relentless. For people who have no means of making up the shortfall and struggle with clarity of thought and problem-solving skills, these reminders were distressing and often did more harm than good.

> "I received a torrent of mail signed by someone who probably didn't exist or had to explain myself over again to a call centre operator."

Expert by experience.

> "It's a dire situation facing opening those letters and so overwhelming. At times I was getting out of bed, not sleeping, but in a different world, [I'd] get up and lay on [the] sofa and not [be] able to even bear to look out of the window... I became so scared of the letterbox and the phone, becoming more and more deeply anxious and depressed."

Expert by experience

A lack of sufficient training can mean staff fail to recognise and deliver on the support needs of customers with mental health problems

A lack of foundational training across customer-facing staff can mean that people don't always get routed to the help they need. Firms can and often do offer customers additional support, particularly where firms know that borrowers may be experiencing mental health problems that impact their ability to deal with their lender. Here, firms can move accounts from the business-as-usual process into a Specialist Support Team (SST). This typically means that lenders stop all automated communications, aside from regulatory letters, and communication with customers is carried out in a tailored way with consideration of the person's needs.

However, to access this, firms often rely on customers notifying them of their mental health problems. People are often too embarrassed to do so and don't understand the difference it could make. Research we carried out in 2021 found that only 14% of people disclosed their mental health problems to their lender.[48]

> "I could not concentrate on what I needed to do to get support. Initially, I was not willing to discuss my mental health with my lender, but ultimately had to. I sensed the person I was dealing with had no real understanding of mental health and lacked empathy."

Expert by experience

Lack of clarity on support available can mean people are unmotivated to reach out

Our polling found that only three in ten (29%) mortgage holders with mental health problems agree that their mortgage provider has done a good job of communicating the support available to them if they're struggling with payments.[49]

48 Money and Mental Health analysis of online polling conducted by Opinium. 5,001 people with mental health problems, weighted to be nationally representative of those who have experienced a mental health problem, and 1,000 people without mental health problems were surveyed between 25 June and 22 July 2021.

49 Money and Mental Health analysis of YouGov online polling of 2150 UK adults in September 18-19 2023. 630 of this cohort had experienced mental health problems in the last two years. Agreement levels were even slightly lower among those without mental health problems, at only 26%.

While SSTs can offer a tailored service that can help people with mental health problems, people frequently don't know they exist or are unable to access them. Access to SSTs is not widely publicised, and front-end collections staff act as gatekeepers to the service. But this model is flawed on two fronts:

- It relies on front-end staff accurately identifying people with mental health problems who require additional support. This model is, therefore, only as good as the training provided to these staff to spot the signs that someone may need additional support.
- SSTs are often a significantly smaller subset of wider collections departments. But with half of people in problem debt experiencing mental health problems, this means that front-end staff will inevitably be supporting huge numbers of customers with mental health problems every day, and only the most vulnerable or those with the most complex needs will make it through for the tailored service.

> "[I] didn't know there was anything they [the lender] could or would do and didn't want to admit to problems as it made me feel a failure and worthless."
>
> *Expert by experience*

Similarly, people told us how they didn't believe lenders would be interested in their mental health problems and, without knowing the support they can offer, disclosing their condition simply didn't feel worth the effort.

> "I would never tell the mortgage provider about mental health difficulties. I don't believe I would ever get any meaningful support."
>
> *Expert by experience*

Insufficient emphasis on the value of free debt advice

Firms can be a crucial source of information for customers who are struggling with their mortgage and other essential bills or payments. Yet too often, firms fail to effectively refer customers to vital help from debt advice services. Firms frequently signpost customers in financial difficulty to debt advice in a way that puts the onus on the customer to reach out to advice services and explain their circumstances again or to stay on the phone for long periods. This can feel particularly tricky for people with mental health problems, who can find it more difficult to concentrate for extended periods or advocate for themselves.[50]

> "They put the onus on us… When you're struggling to get out of bed, the pressure to open that letter and actually ring up, tell them about the issues and hope they believe you is a huge challenge."
>
> *Expert by experience*

3.3 Government support is also insufficient

Beyond the support that lenders themselves can provide, there is limited financial assistance from the government that those experiencing acute mortgage payment difficulty can lean on. A Support for Mortgage Interest loan (SMI) is the main form of government financial assistance available to mortgage holders.

50 Bond, N. & Holkar, M. Help along the way. Money and Mental Health Policy Institute. 2021

The Government did expand the eligibility criteria for SMI in 2023 by removing the 'zero earnings' rule so that those working and receiving Universal Credit can access the loan, and reduced the qualifying period households must be receiving Universal Credit before they get the SMI loan from nine months to three months.[51] However, the way SMI's payable rate is calculated means it hasn't kept up with mortgage interest rate rises – currently paid at just 3.16%.[52] This is a welcome increase from the previous 2.65% before December 2023, but it still falls far short of the current market rate for fixed or variable mortgage deals.

"...[The SMI] rate only pays 2.65%, but unfortunately I am on a tracker rate mortgage, and my interest rate currently stands at 6.75%. I have a major shortfall, and am now in arrears."

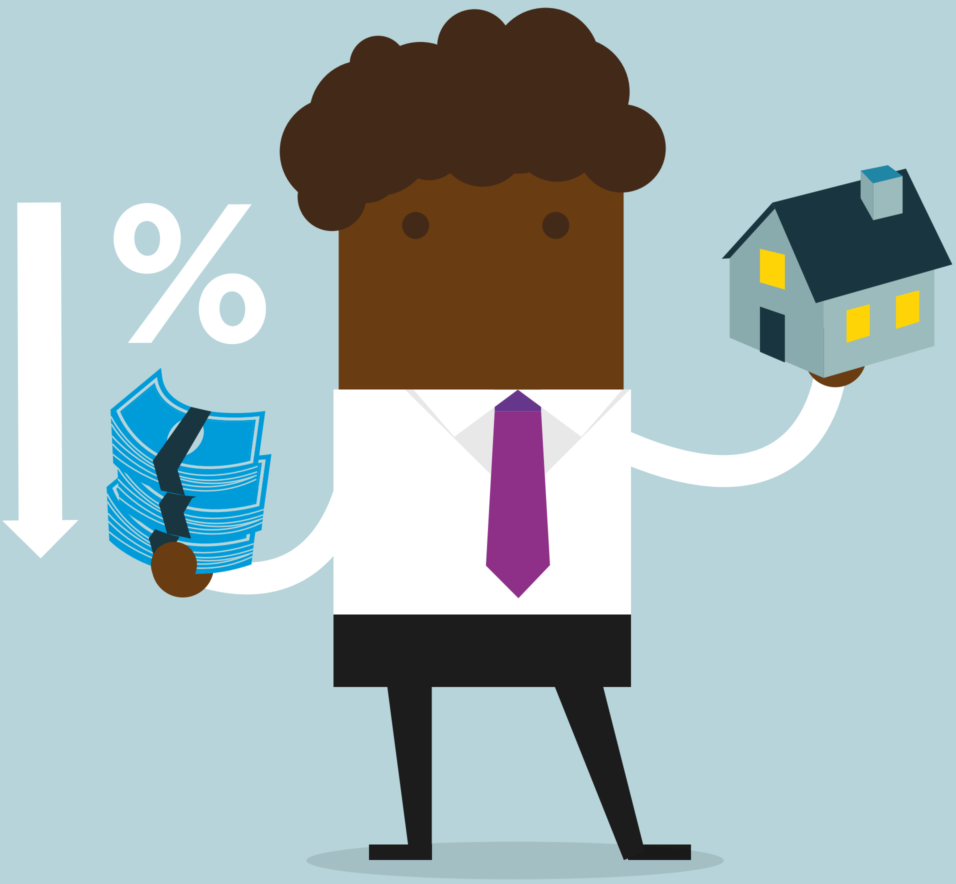
Expert by experience

Section three summary

- Lenders already offer a wide range of support measures to assist those struggling with their mortgage payments, including help for those who are pre-arrears to stay up to date on their payments and tailored support and forbearance options for those in more acute financial difficulty.
- But for mortgage holders with mental health problems, this support can often be inaccessible. The symptoms of a mental health problem, such as thought rumination, anxiety, and difficulties with processing complex information and decision making, can make accessing support and making informed decisions about a mortgage feel unimaginable.
- Lenders' communication practices can further discourage engagement among mortgage holders with mental health problems. Generic and automated letters and relentless and sometimes aggressive communication practices can be incredibly distressing and drive customers to disengage.

51 Gov.UK. Support for Mortgage Interest. 2023.

52 Gov.UK. Support for Mortgage Interest. 2023.



Section four: How to protect mortgage holders from psychological and financial harm

Five million households are on fixed-rate deals due to end by December 2026. Just under half a million of those already spend at least 70% of their income on housing, essential living costs and servicing existing debts.[53] Positively, so far, rates of repossession have remained low.[54] However, our research has shown that you don't need to be facing repossession to feel the mental health and financial effects of the mortgage crisis. For people with mental health problems, fear can onset at the first sign of mortgage payment difficulty and can be pervasive.

To withstand mortgage rate increases and minimise the huge toll on mortgage holders' mental health, urgent reform is needed from the sector. In the remainder of this report, we set out a suite of recommendations for lenders, the regulator and the government to improve support for people in and at risk of mortgage arrears.

4.1 The role of mortgage lenders

Over the last year, huge efforts from across the market have gone into ramping up the support available for mortgage holders experiencing financial pressure from interest rate rises. Perhaps the highlight of these efforts is the Mortgage Charter.[55] While the Charter has been welcome, many of the measures included in the Charter were not new. Instead, the Charter largely worked to raise awareness of existing support available to borrowers. Yet, many mortgage holders, especially those with mental health problems, are still at risk of missing out on available support. Our polling found only three in ten (29%) mortgage holders were aware of the Charter.[56]

Additionally, the support measures included in the Mortgage Charter primarily focused on supporting people before they fall into arrears. Before the Charter was introduced, lenders already had a wide range of forbearance measures at their disposal to support people in arrears. Therefore, to mitigate the mental health impact of the mortgage crisis, mortgage lenders must be prepared to move beyond the Charter and forbearance measure and scrutinise their own practices to ensure they minimise and prevent psychological harm.

To encourage mortgage customers with mental health problems to disclose their condition so firms can better understand and meet customers' needs, lenders should:

- **Provide clear messaging to underline that disclosure of mental health problems is welcome** – This should be routine from entering into a mortgage contract and throughout its term.
- **Outline how information about customers' mental health conditions will be recorded and used** – so people are confident their information is in safe hands.

53 Bank of England. Financial Stability Report. December 2023.

54 Recent Q3 2023 data shows that there were 630 homeowner mortgage possessions, which was less than the previous quarter and the same quarter in the previous year. UK Finance. Mortgage Arrears and Possessions Update Quarter 3 2023. (Accessed 02/01/24)

55 Gov.UK. Mortgage Charter. 2023.

56 Not everyone will recognise the support available by the name of the Mortgage Charter, but this figure remains indicative that awareness of available support is concerningly low.

- **Develop processes to ensure customers only need to inform mortgage providers about their mental health condition once** – such as a 'Tell Us Once' system. Staff should take the time to understand the customer's situation carefully and, with the customer's consent, securely record any information needed to act on this going forward so they don't need to repeat themselves.

To improve access to tailored support for mortgage holders with mental health problems, lenders should:

- **Increase the volume of customers with mental health problems who are routed from business-as-usual processes to tailored support**, such as a Specialist Support Team (SST) with highly-trained staff to recognise and deliver on their support needs.
- **Increase resources in SSTs to better support the significant number of customers with additional needs** – particularly the growing number of these customers facing acute financial difficulty and those in mortgage arrears.
- **Provide all customer-facing staff with foundational training on the additional needs of people with mental health problems** – Given the volume of customers potentially struggling with both their mortgage payments and their mental health, SSTs must be well-resourced. But with half of everyone in problem debt experiencing a mental health problem,[57] for most lenders, routing all customers in this group to a SST may not be possible.
- **Offer a designated caseworker to customers with mental health problems who are behind on one month's repayment or equivalent on their mortgage**. With this, firms should explain to the customer what this means for them and why a caseworker can be helpful. For people with mental health problems, knowing who you'll be speaking to and that they have a personal understanding of your circumstances and support needs can dissipate much of the uncertainty and worry that frequently comes with getting in touch with mortgage lenders about arrears.
- **Ensure all customers have sufficient time to ask questions, process information, and consider any decisions around their mortgage** – There are a wide range of critical, impactful decisions that mortgage holders must take, whether that's switching to an interest-only product or agreeing to an arrears repayment plan, for example. For people with mental health problems who can face additional challenges with processing complex information and decision making, people must be able to do this at their own pace. In practice, this might look like taking the lead from the customer when asking how much time they need before a callback or reminding the customer that they can ask questions or for information to be repeated, for example.
- **Inform customers that they can nominate a person they trust to deal with their mortgage if they become too unwell to engage at various points** – including when someone discloses a mental health problem and shares that they have money worries and annually in the customer's mortgage statement. People with mental health problems can struggle to make important but complex decisions when unwell, so getting this information before a customer's circumstances deteriorate is fundamental to ensuring they can get help if they do need it.[58]

To reduce the burden often placed on mortgage holders to get in touch if they're struggling, and particularly for those with mental health problems who can face additional challenges to reaching out, lenders should:

57 Money and Mental Health Policy Institute. The Facts. (Accessed: 28/11/23)

58 Bond N, Evans K, Holkar M. A little help from my friends. Money and Mental Health Policy Institute. 2019.

- **Utilise both internal and cross-sector data to identify where a customer might be experiencing or at risk of experiencing mortgage payment difficulty** – Firms have data that can provide early indicators that a mortgage holder is struggling and allow a firm to target support proactively as needed. Two key data sources that should be better utilised for this purpose include:
  - Information across other products a customer might hold with the firm or group, such as savings or current accounts – While delivering support to those who are in arrears with other products is an important part of this, the previous sections evidence identifying mortgage payment difficulty requires looking beyond mortgage arrears and indebtedness. For example, firms should also identify those frequently drawing on savings to plug a gap in their finances.
  - Cross-sector Credit Referencing Agency data to understand a customer's overall indebtedness – Mortgage lenders can access customer batch data on levels of indebtedness across the range of products a customer holds from the major credit reference agencies.[59] This data can help lenders identify customers in or at risk of mortgage payment difficulty by spotting patterns across all products outside of their mortgage, such as credit cards and utility payments.
- **Remind all mortgage customers, at least bi-annually, that if they're struggling, there is support available and how they can access it** – Many lenders informed their customers about the Mortgage Charter when it was created in June 2023. But with our survey of the Research Community suggesting levels of customer awareness remain lower than wanted, interest rates that are likely to remain high relative to pre-2022, and 1.6 million households set to see their fixed rate deal expire in 2024, continued effort to increase awareness of the support available is imperative.[60]
- **Send monthly reminders to customers who have secured a new fixed-rate deal and are waiting for it to commence that they can switch to a better offer if one becomes available right up until their new term starts** – The process of doing this should be made easy, with clear instructions around how a customer can check if they're eligible for a cheaper deal.

To ensure that communication with mortgage customers is clear and compassionate, lenders should:

- **Routinely and proactively collect information from all customers around preferred channels of communication and use the customer's preferred channel** – Under the new Consumer Duty, lenders should ensure that customers are not missing out on vital support and ultimately experiencing worse outcomes because their lender is not engaging with them in an accessible way.[61] As explored above, symptoms of mental health problems can make it more difficult to use certain communication channels. Focusing contact on customers' preferred channels boosts the odds that they will be able to more fully engage with the information provided and reach a positive outcome.
- **Use clear, straightforward language throughout any mortgage communications** – A mortgage can be complex to understand at the best of times, and this can feel completely inaccessible for those experiencing the symptoms of mental health problems that affect information processing abilities. Lenders should avoid complicated and jargonistic language in favour of clear and simple communication.

59 Murray T, Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.

60 UK Finance. Mortgage Data. (Accessed: 28/11/23).

61 FCA. Consumer Duty. 2023 (Accessed: 05/01/24).

- **Provide a jargon-buster mortgage glossary that uses plain English[62] to help people understand more about their mortgage** – Lenders should encourage customers to engage with it, including by providing it alongside any information targeted towards those experiencing mortgage payment difficulty – for example, on the lender's website – and alongside any proactive communications to a customer.

To support people with mental health problems to exit unsustainable homeownership, lenders should:

- **Prioritise developing carefully considered, comprehensive and well-resourced Assisted Voluntary Sale processes** – Assisted Voluntary Sale (AVS) is an option some lenders offer to assist homeowners in financial difficulty to exit homeownership and plan for a move into alternative accommodation.[63] While it can be extremely effective, research has found that across the mortgage industry, the use of AVS is patchy and approaches to it are varied, with some lenders failing to realise its potential.[64] As well as offering a suite of financial and logistical support measures in the sale process, firms should ensure that AVS is taken as an informed choice and that making this choice, where appropriate, is accessible to people with mental health problems.
- **Take a central role in supporting customers to find suitable onward housing arrangements after their home is sold, including by liaising with key stakeholders** – For people at serious risk of losing their home, helping to clear up the uncertainty around where they will live next, and how they will organise and afford the move, can relieve an immense source of worry. Lenders should work with money advisers, housing advice services such as the National Homelessness Advice Service, and housing providers to ensure customers can access the support they need. Specifically, lenders can play a key role in demonstrating to a Local Authority that a customer is not 'intentionally' homeless and requires housing support. Lenders should also consider supporting customers entering the private rental sector, for example, by offering to cover the cost of a rental deposit or the first few months of rent payments, as some firms, encouragingly, already do.[65]

4.2 The role of the regulator and government

The FCA has made a series of interventions in the mortgage market to protect customers, which have been extremely welcome, from Tailored Support Guidance (TSG) to the Consumer Duty. However, as our report highlights, the combination of interest rate hikes and rising living costs continues to expose mortgage borrowers to harm. We are pleased that the FCA is working to incorporate the extended protections afforded to mortgage borrowers outlined in the TSG into permanent guidance. Here, we set out a series of recommendations for the FCA to go further.

To protect mortgage holders with money and mental health problems, the FCA should:

- **Require firms to offer customers a range of options when it comes to how they choose to be referred to a debt advice organisation** – such as a warm transfer – like making a telephone appointment for them or transferring someone on the phone directly to support – or a digital referral, depending on a firm's debt advice partner.[66]

62 See: Plain English Campaign. (Accessed: 02/01/24).

63 Shelter. Voluntary sale of a home to avoid repossession. 2023. (Accessed 07/12/23)

64 Wallace A, Quilgars D, and Ford J. Exiting Unsustainable Homeownership. Centre for Housing Policy. University of York. 2011.

65 UK Finance. Arrears & Possessions Guidance. 2019.

66 This specifically refers to rule MCOB 13.3.2AR in the FCA Handbook.

- As part of proposed plans to enhance expectations of mortgage lenders around debt advice referrals,[67] lenders should work with customers to determine the best debt advice referral pathway for them.

- **Require firms to use the Money and Pensions Services' Strategic Toolkit for Creditors on working collaboratively with debt advice agencies** – outlining best practices on debt advice referrals, including for customers in vulnerable circumstances. This should push firms to assume an essential role in supporting customers struggling with their mortgage to receive free, impartial help with their finances, which can be transformative to their money and mental health.

- **Require firms to utilise internal and cross-sector data better to identify where a borrower might particularly benefit from a proactive offer of support** – Given the evidence presented in this report that indicates we should be focusing on a range of indicators of mortgage payment difficulty to identify those in need of support earlier, such as unusual borrowing or spending patterns, the FCA should require mortgage lenders to use available customer data to benefit customers who may be struggling.

- **Require firms to accompany all proactive communications about mortgage payments with clear and reassuring information about available support** – and the range of ways customers can get in touch to minimise the fear customers experience.

- **Carefully monitor how firms communicate with customers in mortgage arrears** – The FCA should set out what good and bad practice looks like, including guidance on the frequency with which firms should be contacting customers to reduce the pressure customers who have fallen behind on payments can feel.

The government was instrumental in bringing stakeholders across the mortgage sector together to launch the Mortgage Charter. Yet, it only plays a small direct role in the support currently offered to mortgage holders under financial strain through Support for Mortgage Interest (SMI) – and for many, even this does not go far enough.

To improve the level of support available for struggling mortgage holders, the Government should:

- **Change the mechanism through which the payable interest rate for SMI is calculated to better align with the reality of the mortgage industry interest rates experienced by customers at any given time**. Even after the changes that we've seen to SMI in early 2023, when the Government expanded the eligibility criteria for the loan, early data indicates that the caseload for SMI remains low. Only 12,110 households were receiving SMI loan payments in May 2023, less than the same month in 2022.[68] With SMI's small caseload, changing the mechanism of interest rate calculation so that the payable rate ends up covering a greater proportion of the interest borrowers are paying on their mortgage loan would represent a relatively small financial commitment. Yet, the greater positive impact it would have for this group of low-income mortgage holders at the sharp end of the rising cost of living would be profound.

67 The FCA's proposed rules in their recent 'Strengthening Protections for Borrowers in Financial Difficulty' consultation outline enhanced expectations of mortgage lenders around providing information to customers on money guidance and debt advice.

68 Stat-Xplore.12110 people received Support for Mortgage Interest payments in May 2023. This number was 12845 in May 2022.

Conclusion

A mortgage isn't just another debt. As we heard from so many members of our Research Community, it is deeply linked to our sense of home, family and security. That's why when keeping pace with our mortgage becomes an uphill battle, the psychological and financial consequences can be catastrophic.

The good news is that, as with so many of the topics we have explored at Money and Mental Health, the worse outcomes faced by people with mental health problems are not inevitable. Nor is it the case that lenders, the regulator or the government are indifferent or out of tools to help. Instead, what's most urgently required is a reconsideration of how support is offered.

Lenders have put a great deal of thought into the forbearance they can offer borrowers and have emphasised that help is available. But with two in three mortgage holders with a mental health problem reporting they would feel anxious about reaching out to their lender if they were struggling, further work is clearly needed.

The recommendations set out above would help more mortgage holders with mental health problems to weather the storm they are currently facing. If implemented, they would also mean that lenders are making the most of the resources they've devoted to helping their customers in the face of the rising cost of living and higher interest rates. And at a time when elevated rates of poor mental health are placing added pressure on the NHS and keeping more people out of work, more effectively delivered support should have a far-reaching positive impact. With millions of households set to move onto less affordable deals in the coming months and years, the sooner action is taken, the better.

Appendix A

Table 2: Why people experiencing mental health problems are struggling to access and engage with support from mortgage providers

Stage of mortgage difficulty	Support and forbearance measures available[69]
Pre-arrears	• Support those who are up-to-date on their mortgage and are not seeking to borrow more or change their repayment type or term to switch to a new deal without another affordability check • Switch to an interest-only mortgage • Extend your mortgage term • Part interest, part repayment • Borrow back overpaid funds.
Early arrears	• Temporarily reduced or no-fees on missed repayments • Payment holiday (i.e. temporary payment deferral).
Entrenched arrears	• Payment reduction or interest reduction • Capitalise payment shortfall • Applying simple rather than compound interest to payment shortfall.
Repossession	• Do not repossess the property except as a last resort, when all other reasonable attempts to resolve the position have failed • Allow the customer to remain in possession for a reasonable period to effect a sale • Support eligible and consenting customers to exit homeownership through Assisted Voluntary Sale.

69 An indication of the range of support and forbearance tools that mortgage providers have at their disposal. Some are statutory requirements, others are at their discretion.

Appendix B

In response to rapidly rising interest rates, in June 2023, the government, lenders, UK Finance and the FCA introduced the Mortgage Charter to support people whose lower fixed rate mortgage deals were due to end imminently. The Charter, which introduced a set of commitments to help borrowers through this period of high inflation, standardised several existing support measures while introducing a handful of new measures (shown in Table 3). These aimed to support those struggling with mortgage payments but have not fallen into arrears.

Table 3: Illustration of a selection of options available to customers who are up-to-date on their mortgage

Mortgage options	
Term extension	Extend your mortgage term with the option of reverting to the original term within six months, with no impact on credit score.
Rate change	Customers approaching the end of a fixed rate deal can lock in a deal up to six months ahead. They will also be able to manage their new deal and request a better like-for-like deal with their lender right up until their new term starts if one is available.
Interest only	Switch to an interest-only mortgage for six months only, with no impact on credit score.

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