MONEY AND MENTAL HEALTH POLICY INSTITUTE

Best Practice

Best Practice Guide for Mortgage Lenders

How firms can support their customers with money and mental health problems

Introduction

Our research has revealed that half of mortgage holders have had a mental health problem, with the majority of those experiencing poor mental health in the past two years.

Many of the common symptoms of mental health problems, such as increased impulsivity and memory problems, can make it harder to earn, manage and spend money. This increases the likelihood of financial difficulty, and can often lead to a toxic cycle of money and mental health problems. People experiencing mental health problems are three and a half times more likely to be in problem debt (18% vs 5%) compared to those without such conditions.[1]

This toxic cycle is particularly important when it comes to mortgages. For most homeowners, mortgage repayments are the biggest bill they see leaving their account each month. But it's also the bill that pays for the roof over our head, and so the security it can provide is often tightly linked to our mental health.

Mortgage lenders can play a pivotal role in addressing the specific challenges faced by the millions of mortgage holders with mental health problems - and this guide tells you how.

This best practice guide outlines steps that lenders can take to support customers with mental health problems through the customer journey, from the start of the mortgage term through to exiting unsustainable homeownership.

This guide brings together examples of good practice across the mortgage lender and wider financial services sector, and the views of members of Money and Mental Health's Research Community, a group of thousands of people with lived experience of mental health problems.

The guide complements regulations set out by the Financial Conduct Authority (FCA), including guidance on the fair treatment of vulnerable customers and the Consumer Duty, and the FCA's new rules on strengthening protections for borrowers in financial difficulty.

[1] Money and Mental Health Policy Institute. The Facts. (Accessed: 20/08/24)

Supporting customers with mental health problems throughout the mortgage term

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. Three quarters of people with a mental health problem find at least one communication channel, for instance the phone or letters, difficult to engage with. Symptoms of a mental health problem, such as low mood, anxiety and difficulties with processing complex information, can make accessing support and making informed decisions about a mortgage feel impossible. And while lenders should offer help to people with additional needs as a result of their mental health, the decision to share your condition with a firm can be daunting. Together, this means people can miss out on support at the exact time they need it most.

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

- Routinely and proactively collect information from all customers around preferred channels of communication, and use the customer's preferred channel thereafter.
- Use clear, straightforward and, where possible, jargon-free language throughout all mortgage communications.
- Provide a jargon-buster mortgage glossary that uses plain English[2] to help people understand more about their mortgage, and encourage customers to engage with it by ensuring it is clearly advertised across the website and communications.

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

- Embed our three disclosure guides, that explain how to encourage, respond to and process disclosures, across the business.
- Routinely provide clear messaging to underline that disclosure of mental health problems is welcome, from the point of entering into a mortgage contact and throughout its term.
- Provide information on the website and in communications about how customers can disclose, including through accessible and multi-channel processes, and what types of support lenders can provide.
- Clearly outline how any information that the customer discloses would be recorded and used, and reassure them that this would not directly impact their credit score or ability to remortgage.
- Develop processes to ensure customers only need to inform their mortgage lender about their mental health condition once, including secure recording of necessary information to implement any support needs thereafter.

[2] See: Plain English Campaign. (Accessed: 02/01/24).

To support mortgage holders with mental health problems after they have disclosed their condition:

- Provide all customer-facing staff with foundational training on the additional needs of people with mental health problems.
- Offer a range of ways to meet the support needs of people with mental health problems and ensure these options are clearly communicated, for example by:
    - Ensuring customers have sufficient time to ask questions, process information, and consider any decisions around their mortgage, including by offering longer appointments;
    - Providing a summary note of any phone calls with your customer service team;
    - Providing a range of remote and in person meeting options, such as a quiet space or open, public area.
- Enable all customers to nominate a person they trust to deal with their mortgage if they are unable to effectively engage with their lender, for example due to ill mental health, and routinely inform customers that this is available.

Supporting mortgage holders with money and mental health problems

Our report shows that homeowners typically prioritise mortgage payments over all else, sometimes resulting in going without essentials like heating or eating, or burning through limited savings. This makes sense when it's literally the roof over your head, but it means that firms must look to other, earlier indicators of financial difficulty to identify where support is required and mitigate harm.

To make it as easy as possible for mortgage holders to get in touch if they're struggling, lenders should:

- Remind all mortgage customers, at least bi-annually, that if they're struggling there is support available, including through the Mortgage Charter, and how they can access it.
- 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.
- Make it easy for customers to check if they're eligible for a cheaper mortgage deal, for example by providing eligibility and savings calculators, and other comparison tools, to ensure any options are clear and transparent.
- Use information available across other products a customer might hold with the firm or group, such as savings or current accounts, to identify where a customer is in, or at risk of, financial difficulty. For example, when a customer is frequently drawing on savings or relying on an overdraft to plug a gap in their finances.
- Use cross-sector Credit Referencing Agency data to understand a customer's overall indebtedness.

- Consider ways to make mortgage payments more affordable for those who are struggling to keep up, to support them to stay on track. For example, this might include refunding charges, or finding them a cheaper deal, including for other products they might hold with a firm or group.

To help customers facing money and mental health problems access support as soon as possible, lenders should:

- Require customer-facing staff to promote free, impartial debt advice services to customers in problem debt. This is also important for those who are in problem debt with other products, but have not yet fallen behind on mortgage repayments.
- Support customer-facing staff to work with customers to determine the most suitable debt advice referral pathway for them, which might include making a telephone appointment for them or transferring them on the phone directly to support.
- Promote the use of the Money and Pensions Services' Strategic Toolkit for Creditors on working collaboratively with debt advice agencies, across the business.
- Enable customer-facing staff to transfer customers in a financial or mental health crisis directly to other support services, from income maximisation services to Samaritans. For customers in acute difficulty, it often isn't enough to tell them who else to call: once the phone is put down, it can be too late.

Supporting customers in mortgage arrears

Our research revealed the drastic and harmful measures mortgage holders often take to keep up with payments, and the detrimental psychological impacts that can occur from even missing just one mortgage payment. In light of this, lenders should operate on an assumption that all customers who have fallen behind on mortgage arrears are in vulnerable circumstances, but that some will be more complex than others.

To mitigate the impact of communications about mortgage arrears on those who have fallen behind on payments:

- Take time to carefully inform and reassure the customer about the types of communications they might receive as a result of being in mortgage arrears, and in particular explain what is meant by 'last resort' repossession.
- Evaluate the approach and impact of mortgage arrears communications, including considering if the tone is supportive, the frequency is overwhelming, and information and signposting are helpful.
- Test key communications and messages with customers with lived experience of mental health problems, to understand the potential negative impacts they can have, and how to maximise the chances of someone engaging and seeking support.

To improve access to tailored support for mortgage holders with mental health problems who have fallen behind on payments, 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.

- Ensure that specialist teams for customers in vulnerable circumstances receive regular training on the potential impacts of mental health problems and are able to recognise and deliver on a range of support needs.
- Provide staff with resources that can help them manage interactions with customers with mental health problems in the moment.
- Offer a designated caseworker to customers with mental health problems who are behind on one month's repayment or equivalent on their mortgage. Knowing who you'll be speaking to and that they have a personal understanding of your circumstances can dissipate much of the uncertainty and worry about getting in touch about ongoing financial difficulty.

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

- Prioritise developing carefully considered, comprehensive and well-resourced Assisted Voluntary Sale (AVS) processes to support customers.
- Offer 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.
- Proactively liaise with key stakeholders, such as money advisers, local authorities, housing advice services, for example the National Homelessness Advice Service, and other housing providers to ensure customers can access the help they need.
- Consider supporting customers entering the 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.[3]

[3] UK Finance. Arrears & Possessions Guidance. 2019.

Working together

Beyond this best practice guide, Money and Mental Health works directly with financial services firms to help them identify and implement changes needed to better support their customers with mental health problems, and at the same time, help adhere to regulatory requirements like the Consumer Duty.

Our Mental Health Accessible team can provide tailored advice, expertise and implementable suggestions to help mortgage lenders support customers with mental health problems throughout their mortgage term, and to ensure support is accessible and effective for those who are struggling to keep up with payments.

Our work incorporates feedback from a community of thousands of people with lived experience of mental health problems, and their carers. Their involvement provides an invaluable first-hand understanding of the experience those with mental health problems have when interacting with your products, services and staff. This unique insight can help inform future approaches that improve customer outcomes.

Additionally, we run the Mental Health Accessible Accreditation programme - this holistic review of your communications, products, MI and governance highlights areas of success and provides detailed recommendations for change. By acting on recommendations firms can achieve Mental Health Accessible accreditation, which allows firms to publicly promote that you have reached a standard of excellence in making your services accessible to customers with mental health problems.

If you would like to explore how we could work together, please get in touch.

Contact: mha@moneyandmentalhealth.org

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Disclaimer

The contents of this guide is underpinned by best practice, regulatory guidance and our own research. They do not constitute regulatory advice and should not be relied upon or treated as a substitute for specific regulatory advice.

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