



Support for Mortgage Interest

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StepChange Debt Charity

In 2017 more people than ever contacted us for help with their debt problems, particularly through the use of our online advice tool, Debt Remedy.

New contacts

	2013	2014	2015	2016	2017
New telephone contacts	287,165	321,134	314,676	320,019	264,856
New Debt Remedy users	220,698	256,544	234,377	279,007	355,090
Total new contacts	507,863	577,678	549,053	599,026	619,946

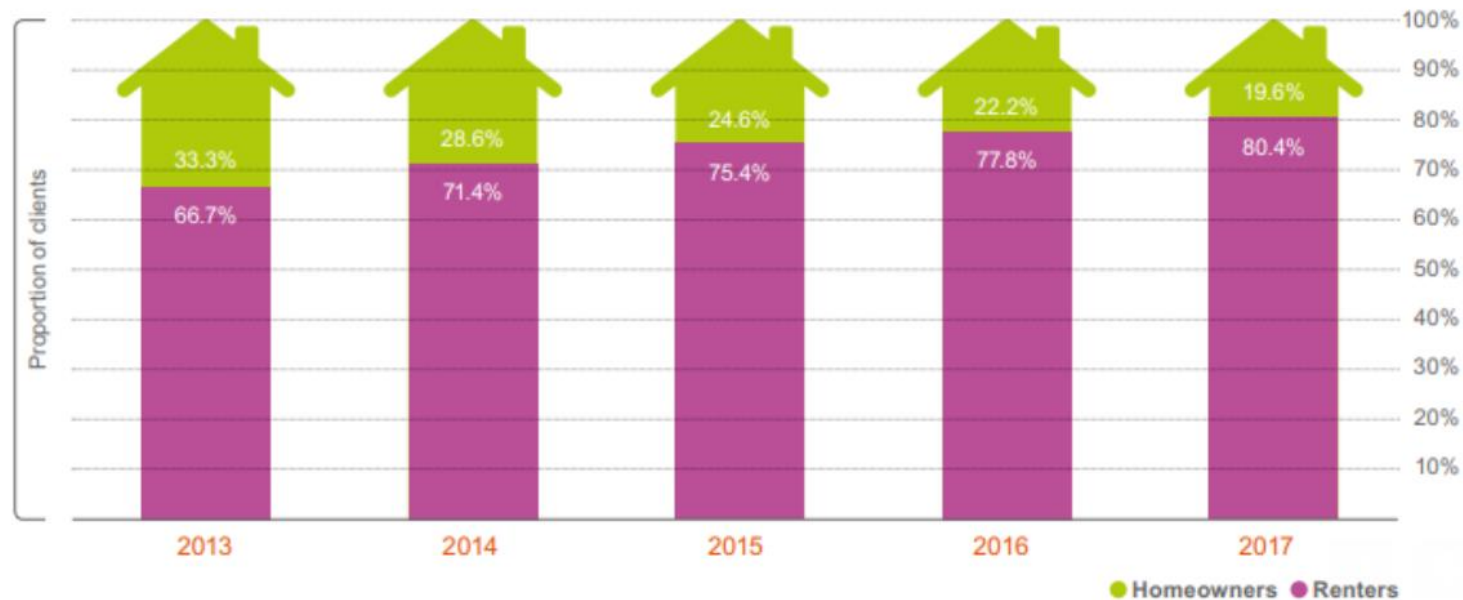
StepChange Debt Charity

Who are our clients



Renters vs homeowners

Just five years ago, more than two thirds of our clients rented their home (67%). However, our latest statistics show the number of clients renting their households has now surpassed 80%. Comparably, only 35% of all UK households are renters.



SMI & StepChange Debt Charity clients

- A very small proportion of clients but a huge potential impact on each
- SMI claimant clients are older than our clients on average
- SMI claimants are less likely to be working and have lower average incomes
- Many have mortgage arrears already - nine month wait for working-age claimants
- Some have already experienced possession proceedings
- Some have a suspended possession order in place and so are at increased risk of a rapid eviction
- SMI claimant clients typically will also have several other debts or arrears, and are less likely to have a surplus budget to repay them

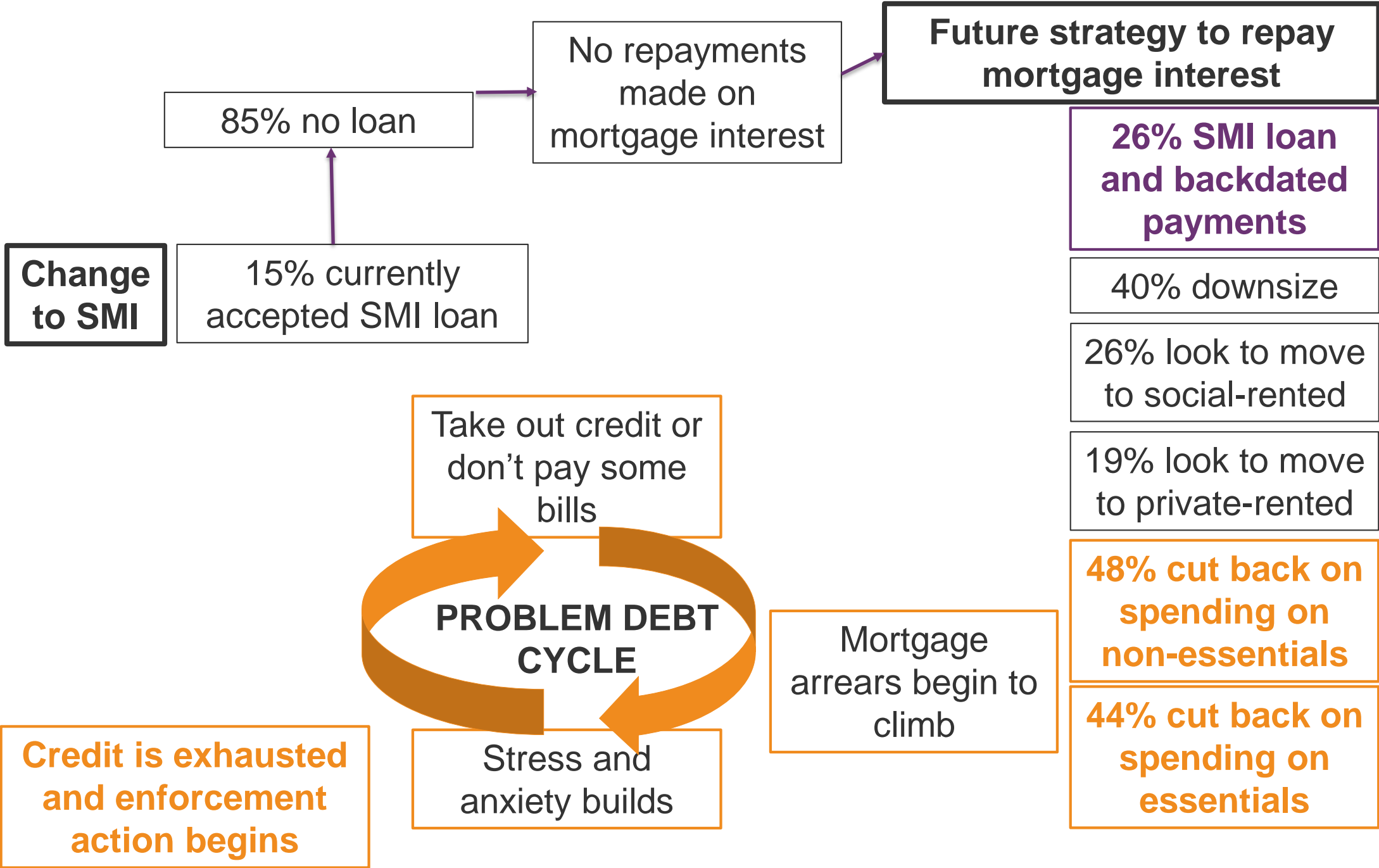
SMI change: current DWP data

Clients need to sign a new agreement and will not automatically be moved from SMI benefit to the loan

- **At end of March 2018 (implementation from 6 April 2018) DWP figures show:**
 - Only 60% of existing claimants have been contacted by Serco
 - Only 24% of these said they intended to take up the loan

If clients do not agree to the loan their SMI will stop

- **2016 DWP-commissioned research showed:**
 - 59% of SMI claimants knew nothing about the changes
 - Only 30% of SMI claimants said they were likely to take up an SMI loan
 - 39% of SMI claimants said they would refuse because they “did not like the idea of a loan”



Can debt advice help?

For claimants not currently receiving debt advice

- Awareness and understanding of the change is very low
- People wait on average one year from first getting into financial difficulty before seeking debt advice
- SMI claimants are more likely to already have a suspended possession order so are at higher risk of a rapid eviction before they get the advice they need
- If someone has refused or not claimed an SMI loan, is a court more likely to refuse a further suspension of possession because they have intentionally or negligently made the situation worse?

Can debt advice help?

For existing clients

Our interpretation is that debt advisers are limited to informing clients how the loan scheme works and the implications of not accepting a loan

- Debt advisers **can't recommend** an SMI loan
- Currently nowhere else to refer - cost of independent financial advice
- Supporting an additional loan confuses core debt advice messages
- “Adding to their debts” may deter our clients from accepting the SMI loan
- *“If I take the SMI loan now, how will it affect my chances of acceptance for an equity release product when I retire?”*
- No clear guidance from DWP on whether “an arrangement involving composition of your debt” would include some, or all, debt solutions and result in SMI loan payments ending

Can debt advice help?

Government help with mortgage payments. How does it work?

If you're struggling to pay your mortgage the government can help you meet your mortgage interest payments if you're on a low income.

Support for Mortgage Interest (SMI) payments

SMI can help with the cost of mortgage interest payments. From April 2018 onwards, SMI is in the form of a loan secured against your property.

To be eligible for SMI you need to be receiving one of the following [benefits](#):

- Income support
- Income-based jobseekers allowance (JSA)
- Income-related employment and support allowance (ESA)
- Pension credit

If you're getting universal credit, the housing element for homeowners works in the way as SMI.

SMI is paid directly to your mortgage lender. The payments will start 39 weeks after you've claimed. This means if you don't have enough money to pay the first 39 weeks, you'll build up mortgage arrears which will need to be repaid later.

If you're claiming Pension Credit the SMI payments will start straight away

SMI will only pay the interest on your mortgage, not the capital. Ask your mortgage lender to change your mortgage to interest-only for the period you're on SMI.

You can find out more on how the SMI scheme works from [Gov.uk](#).

SMI loans have replaced benefits: Important information for people receiving this support

All existing support for mortgage interest benefit claims finished on 5 April 2018. Anyone currently receiving SMI benefit has been offered an optional SMI loan instead.

People receiving SMI benefit have been notified by the Department for Work and Pensions (DWP) that



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