

**BRIEFING TO THE SOCIAL DEVELOPMENT COMMITTEE ON:
THE MORTGAGE DEBT ADVICE SERVICE**

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1.0 INTRODUCTION

Housing Rights Service was established in 1964 and is the leading provider of independent specialist housing advice and representation services in Northern Ireland.

2.0 MORTGAGE REPOSSESSION LEVELS IN NI 2007- 2011

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2011	856	939	1063		
2010	773	929	863	825	3390
2009	1020	954	1124	807	3902
2008	754	929	1006	939	3628
2007	566	584	521	542	2213

3.0 MORTGAGE DEBT ADVICE SERVICE

The principal aim of this service is to help sustain communities and prevent people across Northern Ireland from becoming homeless as a consequence of housing related debt. The service does this by:

- Providing specialist debt advice and, where necessary, representation to prevent repossession and enable people to remain in their existing home;
- Assisting those who are not able to retain their home to find suitable alternative accommodation.

4.0 KEY STATISTICS

Client Profile

Number of users	745
Clients in paid employment	63%
Arrears due to reduced income	34%
Lived in home for more than 5 years	55%
Top three constituency areas	South Antrim West Belfast North Down

Service Provided

Information and/or referral onwards	12%
Advice	27%
Advocacy and negotiation work	39%
Representation	21%
Other	1%

Point of initial engagement

Pre legal action	32%
Post commencement of legal action	41%
Post possession hearing	18%
Not known	9%

Cost of service

Projected cost of service per case	£169.00
Cost of case to date	£99.00

5.0 KEY DRIVERS IN MORTGAGE POSSESSION

A recent report from Department for Communities and Local Government (DCLG) identified six key drivers that will affect the level of mortgage arrears and possessions in the future:

DEBT SERVICE RATIO (i.e. mortgage payments divided by disposable income)

At present interest rates for many borrowers are at an all time low but any rises to interest rates will undoubtedly lead to increased arrears and fuel possession further. Housing Rights Service is concerned about the increasing level of clients coming to us in recent months for advice because of over-commitment.

NEGATIVE EQUITY

In 2007 the average house price in NI peaked at £234,000 however this has fallen dramatically to £113,614. In 2011, house prices in NI fell by -8.9%. Belfast was the worst performing city in the UK, with prices falling by 19%. Housing Rights Service is concerned about the increasing number of our clients in negative equity, which currently stands at 63%.

UNEMPLOYMENT RATE

The unemployment rate in NI increased to approximately 7% in 2011. The Labour Force Survey shows that Northern Ireland continues to have the highest level of economic inactivity in UK. Housing Rights Service believes the effects of the public sector cuts will impact Northern Ireland more than other jurisdictions given our reliance on public sector employment.

LOAN QUALITY

A recent research report by the Consumer Council (NI) reports that people in Northern Ireland are less financially knowledgeable than people in Britain. Many of our clients have clearly demonstrated a complete lack of understanding about their mortgage product.

GOVERNMENT POLICY INITIATIVES

Most significant initiative for our clients was in relation to payment of Support for Mortgage Interest. Recent changes however to reduce the level of interest payable have had negative impact. There is further cause for concern in relation to other changes currently being proposed (including capping of benefit levels as consequence of introduction of Universal Credit). Comparatively there has been a lack of other initiatives in NI to help sustain people in their homes. Examples from other jurisdictions include Mortgage Relief Scheme; availability of legal aid for those facing possession as a consequence of debt and establishment of a Preventing Possession Fund.

LENDERS' FORBEARANCE

Currently the housing market is weak so lenders are not as actively pursuing possession action. However, there is the concern that when the market begins to get stronger, the trend of improvement in lender forbearance practices may be threatened. The FSA found that 5-8% of all mortgages had been subject to some kind of forbearance and that about 5% of these customers would be six or more months behind with their payments.

Housing Rights Service believes the current dysfunction within the owner occupied sector cannot be viewed in isolation from the rest of the housing market. We would welcome greater focus in the NI Executive's Programme for Government on tackling the impact of the economic recession on the housing situation of local individuals and families. In particular we believe this should include specific commitments to:

- **introduce and support a range of initiatives aimed at sustaining homes across NI**
- **develop a comprehensive Housing Strategy for NI.**