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# Repossessions Taskforce- Review of Recommendations

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Housing Supply Unit

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## Repossession Taskforce Review

### Contents

1. Background.....	2
1.1 Aim of Taskforce.....	2
1.2 Membership.....	2
2. Taskforce Recommendations.....	3
2.1 Recommendation 1 - Accessing free and independent advice.....	3
2.2 Recommendation 2 - Resourcing the mortgage debt advice to meet demand .....	3
2.3 Recommendation 3 – Escalation routes and decision points .....	4
2.4 Recommendation 4 – Referring customers to specialist advice .....	4
2.5 Recommendation 5 – Nudging borrowers.....	4
2.6 Recommendation 6 – Harnessing and harmonising existing public funding of advice services .....	5
2.7 Recommendation 7 - Bespoke training programme for mortgage lenders.....	5
2.8 Recommendation 8 – Mortgage Options Hub .....	6
2.9 Recommendation 9 – Stress testing for higher interest rates .....	6
2.10 Recommendation 10 - Supporting mortgage prisoners .....	6
2.11 Recommendation 11 – Negative equity products.....	7
2.12 Recommendation 12 – Innovative forbearance options .....	7
2.13 Recommendation 13 – Funding support for mortgage interest (SMI) .....	8
2.14 Recommendation 14 – Achieving best value and promoting 'soft landings'.....	8
2.15 Recommendation 15 – The feasibility of mortgage rescue.....	8
2.16 Recommendation 16 – Accessing the private rented sector and homelessness assessments .....	9
2.17 Recommendation 17 – Alternatives to repossession .....	9
2.18 Recommendation 18 – Monitoring developments in the Mortgage Pre-Action Protocol.....	9
2.19 Recommendation 19 – The housing possession court duty scheme.....	10
2.20 Recommendation 20 – Implement Project Team .....	10
3. Summary & Conclusion.....	11

## 1. Background

### 1.1 Aims of Taskforce

The Housing Repossessions Taskforce was established in early 2014 to investigate the impact of repayment arrears, repossessions and negative equity in Northern Ireland.

The Taskforce specifically focussed on the 2004 to 2008 period in which households accessed mortgages or second charge loans in an environment of rising house prices, more relaxed credit conditions and weaker regulatory oversight. Two categories of borrowers were the primary concern of the Taskforce - those already struggling and households very close to distress.

An initial evidence paper on the mortgage debt landscape in Northern Ireland was published in July 2014 and subsequently the evidence base was used to produce the final report (February 2015) which included a suite of recommendations to help and encourage households to help themselves, and increase the number of people who sought help at an early stage. The final report can be accessed [here](#).

### 1.2 Membership

The Taskforce was chaired by the Department and included representation from:

- the Council of Mortgage Lenders;
- Housing Rights;
- the Landlords Association Northern Ireland;
- the Law Society;
- the Royal Institute of Chartered Surveyors;
- Queen's University Belfast;
- the Consumer Council for Northern Ireland;
- the Northern Ireland Housing Executive;
- Money Advice Service; and
- the Department of Justice.

## 2. Taskforce Recommendations

### 2.1 Recommendation one – Accessing free and independent advice

The Taskforce recommended that borrowers access the free and independent channels of advice that suit their needs. Work completed to address and encourage borrower engagement include:

- a Mortgage Debt Advice Service (MDAS) multi-media promotional campaign in 2015/16;
- mortgage debt advice providers, Housing Rights, participation in television and radio interviews and programmes;
- Housing Rights online resources available at Housing Advice Northern Ireland (link [here](#)) including making available a mortgage interest rise calculator and associated press release;
- collaboration with the Financial Conduct Authority (FCA);
- applying behavioural economics with the help of the Behavioural Insights Team to encourage earlier engagement (May 2015 report link [here](#)); and
- working with the University of Bristol (Personal Finance Research Centre) to understand the perceptions of mortgagors, explore their experiences of mortgage arrears, understand their behaviours and attitudes when they are in this position and where they look for advice. Their report ‘Customer perspectives on mortgage arrears and advice seeking in Northern Ireland’ was issued in December (report link [here](#))

### 2.2 Recommendation two – Resourcing the Mortgage Debt Advice Service to meet demand

The Taskforce recommended an increase of funding for the MDAS.

In 2015/2016, funding for the MDAS was increased by 50% to £340k but client numbers dramatically decreased (by 29%). In 2016/2017, £340k funding was also made available as there was evidence to suggest a further surge in demand was possible but in reality client numbers remained similar to 2015/16 and £280k funding was provided.

Since 2017/18, the Department has provided funding for mortgage debt advice as part of the core project with Housing Rights to allow flexibility for any fluctuations in demand.

### **2.3 Recommendation three – Escalation routes and decision points.**

The Taskforce recommended that mortgage lenders provide the MDAS with named contact points within their organisations so the named contact will provide an escalation route and a decision point within the organisation, which will help to reduce the risk of blockages, delays and alienation of customers.

This is ultimately a decision for lenders but two national lenders appointed specific teams with named and trained contacts for Northern Ireland. A further lender has facilitated direct liaison with their legal representatives in Belfast. Effective contacts have therefore been established with these organisations.

### **2.4 Recommendation four – Referring customers to specialist advice**

The Taskforce recommended that existing protocols between generalist advice providers and the MDAS were revisited to ensure that borrowers were signposted appropriately to the MDAS at the earliest possible stage.

Referral protocols have been in place with a number of generalist advice providers and the MDAS. In April 2016, Housing Rights entered into a formal protocol with the Citizens Advice Bureau regarding the Money Advice Service (MAS) funding for debt advice services across Northern Ireland.

The referral channels established mirror the model envisaged by the Taskforce of a new Housing Debt/Mortgage Options Hub for Northern Ireland.

### **2.5 Recommendation five – ‘Nudging’ borrowers**

The Department, on behalf of the Taskforce, asked the Behavioural Insights Team (the ‘nudge unit’) to provide an innovative stimulus as to how early engagement may be achieved which could optimise borrowers engagement with their lender and advice providers, at an earlier stage.

The Behavioural Insights Team (BIT) was asked to explore ways of encouraging borrowers facing mortgage arrears to take action earlier, either by seeking advice, engaging with their mortgage lender or attending their court hearing. BIT set out proposals and the Department led a project to apply behavioural economics to lenders' communications. Trials were conducted with two lenders in an attempt to increase rates of contact between mortgage lenders and customers in long term arrears. A report was issued in September 2017 detailing the outcome of the first trial with those in long term arrears (report [here](#) ) and a final report completed in June 2018 recorded the overall findings of three trials (report [here](#)). The report provides encouraging evidence to indicate that behaviourally-informed correspondence can

be used to increase rates of contact between customers in arrears and their lenders. This report will be shared with interested stakeholders and published on the Department's website.

## **2.6 Recommendation six – Harnessing and harmonising existing public funding of advice services**

The Taskforce recommended that the Department for Social Development, (now Department for Communities) and the Department for Enterprise, Trade and Investment (now Department for the Economy) work together closely to develop a connected and integrated delivery model for the provision of mainstream and specialist debt advice in Northern Ireland.

The Taskforce worked with Money Advice Service (MAS) and Housing Rights (HRS) to deliver holistic debt advice in NI encompassing referral of housing issues to the specialist housing adviser - Housing Rights.

The Department for Communities now has responsibility for generalist and debt advice as well as the provision of advice to mitigate the impact of welfare reform.

*Advising, supporting, empowering: A strategy for the delivery of generalist advice services in Northern Ireland 2015-2020* contains the objective to "have an aligned and complementary approach to the delivery of advice services." Voluntary & Community Division has ownership of this strategy, and the Taskforce contributed to the development of the action plan to deliver this strategy.

## **2.7 Recommendation seven - Bespoke training programme for mortgage lenders**

The Taskforce recommended that the MDAS develop a bespoke training programme, in collaboration with mortgage lenders, which highlights the role of the specialist advice provider and showcases examples of best practice in collaborative engagement.

For many years, Housing Rights has provided training and produced guidance and professional resources to help other organisations support households in distress and improve financial wellbeing.

The Department engaged with the FCA and Council of Mortgage Lenders (CML), now UK Finance on the Repossessions Taskforce recommendations and CML/ UK Finance disseminated the recommendations to lenders so they could consider how they might be implemented. Housing Rights, as part of the Mortgage Options Hub development, has explored options for developing informative training solutions in partnership with lenders engaging in warm referrals.

## **2.8 Recommendation eight – Developing a Mortgage Options Hub**

The Taskforce recommended that a working group of members of the Council of Mortgage Lenders, advice providers and government was established to identify how a Mortgage Options Hub can better integrate the provision of advice with lenders' pre-arrears and arrears management processes.

The Department engaged with the FCA and CML, now UK Finance, on the Repossessions Taskforce recommendations and CML/ UK Finance engaged with the Behavioural Insights Team to apply behavioural economics to lenders' communications. CML/ UK Finance disseminated the recommendations to lenders so they could consider how they might be implemented.

The Department also secured the assistance of mortgage debt advice specialists who worked with Housing Rights to develop a Mortgage Options Hub which would include referrals from lenders. An Interim Report (September 2016) recommended restructuring the MDAS to create a product that would better meet the needs of both borrowers and lenders and the Department provided funding for a pilot to begin in December 2016.

Subsequently an extension to the pilot was agreed in order to achieve a greater number of clients. In March 2018, the pilot was further extended to August 2018 when one lender agreed to make referrals to Housing Rights.

## **2.9 Recommendation nine – Stress testing for higher interest rates**

To support borrowers to take action, the Taskforce recommended that a mortgage interest rate rise calculator available on the Housing Advice NI website.

A link to a Mortgage Affordability Calculator has been established on the Housing Advice NI website which allows mortgage holders to stress-test their financial position and gauge the impact of future interest rate rises.

## **2.10 Recommendation ten - Supporting mortgage prisoners**

The Taskforce recommended that where transitional arrangements were not currently available, lenders review their processes to ensure households can take advantage of these arrangements before interest rate rises take effect.

The estimates regarding the number of households at risk of repayment difficulties and repossession anticipated a base rate rise to 2.9% by 2018 (as per Market expectation in March 2014) although this reduced to 2% at the time of writing the

Report (2015). In reality the first change since 2009 was a reduction to 0.25% (from 0.5%) in August 2016 which then reverted to 0.5% again in November 2017 and more recently rose to 0.75% (August 2018). This recommendation was therefore directly affected by continued low interest rates.

However, the Department has engaged with the FCA and CML, now UK Finance, on all Repossessions Taskforce recommendations and have disseminated the recommendations to lenders so they can consider how they might be implemented. Compliance with regulatory requirements ensures lenders consider a range of forbearance options with customers.

### **2.11 Recommendation eleven – Negative equity products**

The Taskforce recommended that mortgage lenders consider the development of additional products, such as mortgage porting, to assist people who are in negative equity and stimulate market mobility.

Many lenders have mortgage porting options available for which borrowers can apply, subject to conditions. Over the past 3 years, the Northern Ireland economic landscape has steadily improved with moderate house price increases which has reduced the levels of negative equity.

The Department has engaged with the FCA and CML now UK Finance on all Repossessions Taskforce recommendations – the recommendations were disseminated to lenders so they could consider how they might be implemented along with their regulatory requirements, to provide forbearance options to customers.

### **2.12 Recommendation twelve – Innovative forbearance options**

The Taskforce recommended that lenders review the innovative approaches adopted in other jurisdictions and include, where appropriate, these options within the suite of forbearance available to their customers.

Over the past 3 years, mortgage arrears have decreased significantly with mortgage cases and repossessions also steadily reducing. It is unclear whether the reduction in mortgage cases and repossessions is in part due to forbearance innovation.

However, the CML now UK Finance fully engaged with the Department regarding the Repossessions Taskforce recommendations and disseminated the recommendations to lenders so they could consider potential implementation and forbearance options as part of their regulatory requirements.

### **2.13 Recommendation thirteen – Funding support for mortgage interest**

The Taskforce recommended that HM Treasury continued to provide support for eligible homeowners across the UK into the next budgetary period.

The Support for Mortgage Interest (SMI) waiting period has been extended from 13 to 39 weeks and, from April 2018, it has been paid as a loan. The department (via the SMI project team) continues to closely monitor the impact of this change.

### **2.14 Recommendation fourteen – Achieving best value and promoting 'soft landings'**

The Taskforce recommended that lenders review the way in which they communicate voluntary exits to their customers and that the FCA provides additional guidance on the regulator's expectations.

It was accepted that different lenders adopted different approaches. The development of the Mortgage Options Hub has provided opportunity for borrowers and lenders to review their cases with Housing Rights and establish whether a soft landing was the best option and, if so, facilitate that process.

The Department has engaged with the FCA and CML (now UK Finance) on the Repossessions Taskforce recommendations and these have been disseminated to lenders to consider potential implementation and compliance with regulatory requirements.

### **2.15 Recommendation fifteen – The feasibility of mortgage rescue**

The Taskforce recommended that the Northern Ireland Federation of Housing Associations (NIFHA) was commissioned to complete a feasibility study and options appraisal on a potential mortgage rescue scheme in Northern Ireland and report findings in spring 2015.

NIFHA feasibility study was published in September 2015 and a Strategic Outline case was submitted to the Department of Finance and Personnel in October 2015. In September 2016, given the continued low interest rates and market forecasts it was concluded that a mortgage rescue scheme would not be pursued at that time but the department would continue to monitor the situation.

## **2.16 Recommendation sixteen – Accessing the private rented sector and homelessness assessments**

The Taskforce recommended that when NIHE extend their pilot housing options service, they consider making the service available to people faced with losing their home as a consequence of repossession.

The NIHE trained front line staff in November 2015 with the objective of re-emphasising to them the requirement for early intervention in repossession cases, and ensuring that a holistic approach is taken where all of the applicant's circumstances are taken into account, and appropriate advice and guidance given at the earliest possible stage, especially when homelessness prevention may still be possible. The NIHE has since adopted a Housing Options approach having introduced a Housing Solutions and Support model.

## **2.17 Recommendation seventeen – Alternative to repossession**

The Taskforce recommended that where Assisted Voluntary Sale is not included as an option in a lender's arrears and repossessions procedures, existing resources and expertise are used to develop an Assisted Voluntary Sale option for their customers and this product is offered at an early stage.

The Department engaged with the CML now UK Finance on the Repossessions Taskforce recommendations and recommendations were disseminated to lenders so they could consider how they might be implemented. As part of their regulatory requirements, lender must consider a range of forbearance options with customers.

The development of the Mortgage Options Hub has provided opportunity for borrowers and lenders to review their cases with Housing Rights and consider the options.

## **2.18 Recommendation eighteen – Monitoring developments in the Mortgage Pre-Action Protocol (MPAP)**

The Taskforce recommended that the Northern Ireland Courts and Tribunal Service (NICTS) monitors MPAP developments in England to see if any emerging modifications may improve the effectiveness of the protocol in Northern Ireland.

The Department engaged with the NICTS and the judiciary and suggested revisions to the MPAP. These revisions are being considered by the judiciary.

## **2.19 Recommendation nineteen – The Housing Possession Court Duty Scheme**

The Taskforce recommended that the Department of Justice (DOJ) continues to fund the Housing Possession Court Duty Scheme (HPCDS) to meet its customers' needs.

The DOJ continues to fund the HPCDS to meet need and has reduced the amount of funding to reflect the fall in demand.

## **2.20 Recommendation twenty – Implementation Project Team**

To secure the delivery of those recommendations with a link to Government funded activity and to ensure future developments are monitored, the Taskforce recommended the creation of an implementation project team to include seconded experts from the advice sector and a mortgage lender. The implementation team was to be in place by March 2015 and its work completed by April 2016.

The Department has gathered a wide range of expert evidence and advice relating to housing repossessions in NI. This includes: a high level of engagement with the advice sector, intelligence from the FCA and CML /UK Finance; statistical modelling of at risk home owners from Analytical Services Unit (DfC); research on seeking mortgage debt advice from the Personal Finance Research centre (University of Bristol), and intelligence from the mortgage expert involved in the design and development of the Mortgage Options Hub. These resources have been utilised to implement the Housing Repossession's Taskforce Final Report Recommendations and to monitor the position regarding negative equity, owner occupier mortgagor risk, interest only mortgages and Support for Mortgage Interest in Northern Ireland.

### 3. Summary & Conclusion

The Housing Repossessions Taskforce was established in early 2014 to investigate the impact of repayment arrears, repossessions and negative equity in Northern Ireland.

Initial research confirmed that the Northern Ireland housing market continued to be shaped by the legacy of the dramatic rise and fall in house prices. The magnitude of the crash in Northern Ireland fundamentally distinguished the region from the aggregate UK picture and as a result there was a bigger proportion of households with problem debt and at risk of repossession in Northern Ireland than in other parts of the UK.

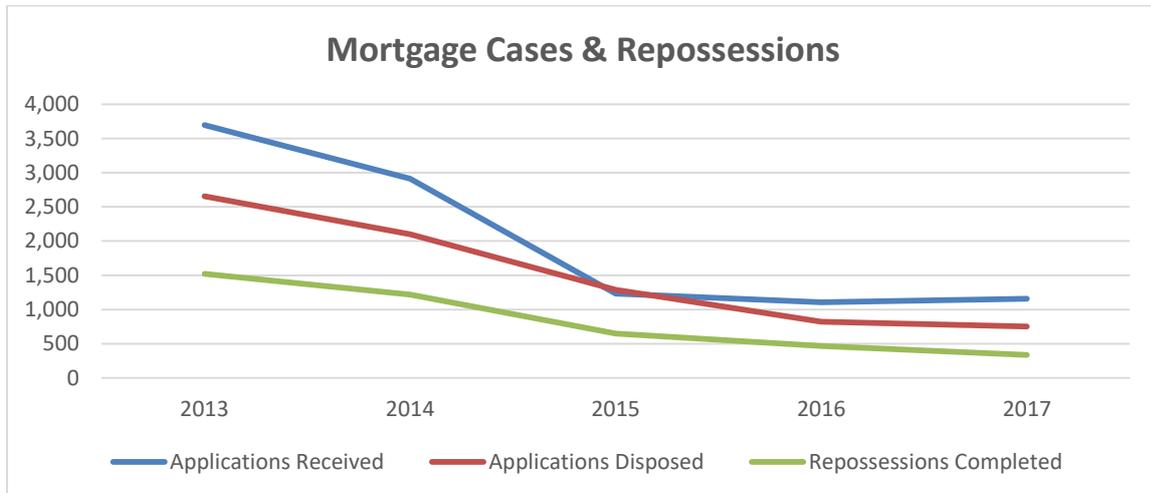
Within this context the Taskforce specifically focussed on the 2004 to 2008 period in which households accessed mortgages or second charge loans in an environment of rising house prices, more relaxed credit conditions and weaker regulatory oversight. Borrowing and lending behaviour during this period had led to a cohort of over-indebted private residential homeowners whose equity and income buffers had been unable to absorb the impact of the recession. There was also a group of households who may have been coping but were highly sensitive to future changes such as interest rate rises or reduced availability of work. These two categories of borrowers – those already struggling and households very close to distress – were the primary concern of the Taskforce.

The suite of recommendations were developed to help and encourage these households to help themselves and to increase the number of people who seek help at an early stage.

Due to the nature of the challenges, many recommendations required support from a range of partners and collaboration across a number of sectors.

Section 2 above details the work that has been undertaken over the past three years and how each recommendation has been progressed. The economic context has continued to improve over the intervening period and this has impacted the implementation of a number of the recommendations e.g. mortgage arrears have reduced with a corresponding reduction in mortgage cases and repossessions which in turn has reduced the demand for mortgage debt advice.

The number of mortgage cases and repossessions over the past 5 years is demonstrated in the table below.



Source: Northern Ireland Courts and Tribunals Service

It is of course good news that the Northern Ireland economic landscape has improved with unemployment rates now close to a record low, moderate house price increases and reducing levels of negative equity but the latest FCA analysis in its Financial Lives survey (June 2018) indicates that the Northern Ireland population have the highest levels of over-indebtedness across the UK (20% vs. UK average of 15%) – see link to the report [here](#) .

This would suggest that while the particular threat of the crash has passed, government should continue to monitor the challenges identified by the Taskforce as levels of over indebtedness in Northern Ireland continue to make many households vulnerable to income shocks such as an interest rate rise.

With the assistance of experts, Housing Rights has worked to improve the accessibility and effectiveness of mortgage debt advice and is therefore well placed to manage crisis support, exploit opportunities to intervene at an early stage of mortgage debt management and highlight any emerging issues to government.