



Department for
**Social
Development**

www.dsdni.gov.uk

H **USING REPOSSESSIONS** TASKFORCE

Final Report | February 2015

EXECUTIVE SUMMARY

1. The Housing Repossessions Taskforce was established in early 2014 to investigate the impact of repayment arrears, repossessions and negative equity in Northern Ireland. The first phase of the Taskforce's work made use of available data sources and the expertise of members to present the mortgage debt landscape in Northern Ireland.¹ This research confirmed that the Northern Ireland housing market continues to be shaped by the legacy of the dramatic rise and fall in house prices.
2. While affordability problems or the risk of repossession may be familiar to many households in Great Britain, the magnitude of the crash in Northern Ireland fundamentally distinguishes the region from the aggregate UK picture. As a result of the heavier impact there is a bigger proportion of households with problem debt and at risk of repossession in Northern Ireland than in other parts of the UK. The scale of households already affected is now combined with an alignment of factors potentially leading to a darkening of the landscape.
3. Within this context the Taskforce is 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 has led to a cohort of over-indebted private residential homeowners whose equity and income buffers have been unable to absorb the impact of the recession. There is also a group of households who may be coping at present but are highly sensitive to future changes such as interest rate rises or reduced availability of work. These two categories of borrowers – those already struggling and the households very close to distress – are the primary concern of the Taskforce.
4. A suite of recommendations has been developed to help and encourage these households to help themselves, and to increase the number of people who seek help at an early stage. The main body of the report has grouped the Taskforce's recommendations in accordance with the policy themes identified

in the initial evidence paper. For the purposes of this summary the recommendations have been grouped into the individuals and organisations which will be called upon to take action.

5. A proportion of the recommendations can be taken forward by the Department for Social Development and the Housing Executive; however, due to the nature of the challenges the Taskforce has identified, many recommendations will require support from a range of partners. Indeed, some recommendations will require collaboration across a number of sectors. The key groups within the Taskforce's recommendations are:

- cross sector collaboration;
- the Department for Social Development family;
- government and regulatory partners;
- the advice sector;
- mortgage lenders; and
- borrowers.

RECOMMENDATIONS WITH CROSS SECTOR COLLABORATION

Developing a Mortgage Options Hub (*Recommendation eight*)

The keystone of the Taskforce's recommendations is the development of a Mortgage Options Hub to ensure the best possible support is available for individuals and families at risk of or facing repossession. The Hub will aim to achieve this by harmonising advice provision more effectively and better supporting lenders in meeting their 'pre-arrears' and 'treating customers fairly' responsibilities.

The existing Mortgage Debt Advice Service has been instrumental in supporting households manage the distressing impact of repossession. The Taskforce envisages the Mortgage Options Hub will continue to provide this essential crisis support, but will also exploit opportunities to intervene at an earlier stage. The current picture of advice provision, with numerous generalist advice agencies providing debt-related advice, is confusing for individuals in need and there is a clear case for developing a well-marketed single point of initial contact on debt advice with

¹ The initial evidence paper can be accessed at <http://www.dsdni.gov.uk/rtf-initial-evidence-paper.pdf>

stronger arrangements for escalating mortgage debt cases to the Mortgage Debt Advice Service at the earliest possible point.

The Taskforce's engagement with lenders has shown that the presence of a robust commitment and comprehensive procedures can, in some instances, foster the belief among lenders that further action is not required. However, the ongoing experience of Mortgage Debt Advice Service customers confirms to the Taskforce that further improvements can be achieved.

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

Implementation Project Team (*Recommendation twenty*)

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

RECOMMENDATIONS LED BY THE DEPARTMENT FOR SOCIAL DEVELOPMENT FAMILY

Resourcing the Mortgage Debt Advice to Meet Demand (*Recommendation two*)

To meet the increasing estimated demand for free mortgage debt advice the Taskforce recommends that the funding for the Mortgage Debt Advice Service is increased.

'Nudging' Borrowers (*Recommendation five*)

The Department, on behalf of the Taskforce, has asked the Behavioural Insights Team (the 'nudge unit') to provide an innovative stimulus to how early engagement may be achieved. The Team will examine the extent to which behavioural economics could optimise borrowers engaging with their lender and

advice providers at an earlier stage. An initial study will be completed by April 2015 and a final report will be shared by the Department.

Accessing the Private Rented Sector and Homelessness Assessments
(Recommendation sixteen)

The Taskforce encourages the Housing Executive to consider the full potential, which exists within their current statutory obligations, to ensure timely assistance, including homelessness assessment, is available to people faced with losing their home as a consequence of repossession. **In particular the Taskforce recommends that NIHE consider, when extending their pilot housing options service, that this service should be available to these vulnerable households.**

The Feasibility of Mortgage Rescue *(Recommendation fifteen)*

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

RECOMMENDATIONS RELEVANT TO OUR GOVERNMENT AND REGULATORY PARTNERS

Harnessing and Harmonising Existing Public Funding of Advice Services
(Recommendation six)

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

Funding Support for Mortgage Interest *(Recommendation thirteen)*

The Taskforce recommends that HM Treasury continues to fund Support for Mortgage Interest into the next budgetary period.

Achieving Best Value & Promoting 'Soft Landings' *(Recommendation fourteen)*

The Taskforce's analysis has shown that despite voluntary exits from homeownership being available repossession remains the most commonly used

option. The failure of borrowers to productively engage with the process or lenders' communications and handling procedures can undermine the viability of a collaborative exit. The current position of repossession being the most commonly used option leads to property values being reduced at a repossession sale and increased costs for the borrower. **The Taskforce recommends that lenders review the way in which they communicate voluntary exits to their customers and that the Financial Conduct Authority provides additional guidance on the regulator's expectations.**

Monitoring the Developments in the Mortgage Pre-Action Protocol *(Recommendation eighteen)*

The Taskforce recommends that the Northern Ireland Courts Service monitors developments in England's Mortgage Pre-Action Protocol to see if any emerging modifications may improve the effectiveness of the protocol in Northern Ireland.

The Housing Possession Court Duty Scheme *(Recommendation nineteen)*

The Taskforce recommends that the Department of Justice (DOJ) continues to fund the Housing Possession Court Duty Scheme, which has played a significant role in achieving beneficial outcomes for DOJ's customers, to meet the Taskforce's estimated demand up to 2018.

RECOMMENDATIONS RELEVANT TO THE ADVICE SECTOR

Referring Customers to Specialist Advice *(Recommendation four)*

The Taskforce recommends that existing protocols between generalist advice providers and the Mortgage Debt Advice Service are revisited to ensure that borrowers are signposted appropriately to the specialist provider at the earliest possible stage.

Bespoke Training Programme for Mortgage Lenders *(Recommendation seven)*

The Mortgage Debt Advice Service provides training to a range of organisations on the services they provide and how organisations can better support households in distress. The Taskforce recommends that the Mortgage Debt Advice Service develops 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.

RECOMMENDATIONS RELEVANT TO MORTGAGE LENDERS

Escalation Routes and Decision Points *(Recommendation three)*

The Taskforce recommends that mortgage lenders provide the Mortgage Debt Advice Service with named contact points within their organisations. The named contact will provide an escalation route and a decision point within the organisation, which will help to reduce the risk of blockages, delay and alienation.

Supporting Mortgage Prisoners *(Recommendation ten)*

Transitional arrangements may provide ‘mortgage prisoner’ customers with the opportunity to improve their own position before interest rate rises adversely impact on their ability-to-pay. **The Taskforce recommends that where transitional arrangements are not currently available, lenders review their processes to ensure households can take advantage of these arrangements before interest rate rises take effect.**

Negative equity products *(Recommendation eleven)*

The Taskforce recommends 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.

Innovative Forbearance Options *(Recommendation twelve)*

The Taskforce recommends 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. Although these options will not be exclusively available to borrowers in Northern Ireland, they are likely to be particularly beneficial to households in the region.

Alternatives to Repossession *(Recommendation seventeen)*

The Taskforce recommends 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.

RECOMMENDATIONS RELEVANT TO BORROWERS

Accessing Free and Independent Advice *(Recommendation one)*

It is vitally important that borrowers take responsibility for improving their debt position; only with committed and positive engagement from the borrower can the other agencies truly provide support. **The Taskforce recommends that borrowers access the free and independent channels of advice that suit their needs.**

Stress Testing for Higher Interest Rates *(Recommendation nine)*

To support borrowers to take action, the Taskforce is working to make a mortgage interest rate rise calculator available on the Housing Advice NI website. When available, mortgage holders should use this tool to stress-test their financial position and gauge the impact of future interest rate rises. If households think they may struggle to meet their mortgage repayments when interest rates increase, they should speak to their lender or get free and independent advice at the earliest opportunity.

INTRODUCTION

The Initial Evidence Paper Revisited

6. The Housing Repossessions Taskforce was established in early 2014 to investigate the impact of repayment arrears, repossessions and negative equity in Northern Ireland. The first phase of the Taskforce's work made use of available data sources and the expertise of members to present the mortgage debt landscape in Northern Ireland.² This research confirmed that the Northern Ireland housing market continues to be shaped by the legacy of the dramatic rise and fall in house prices.

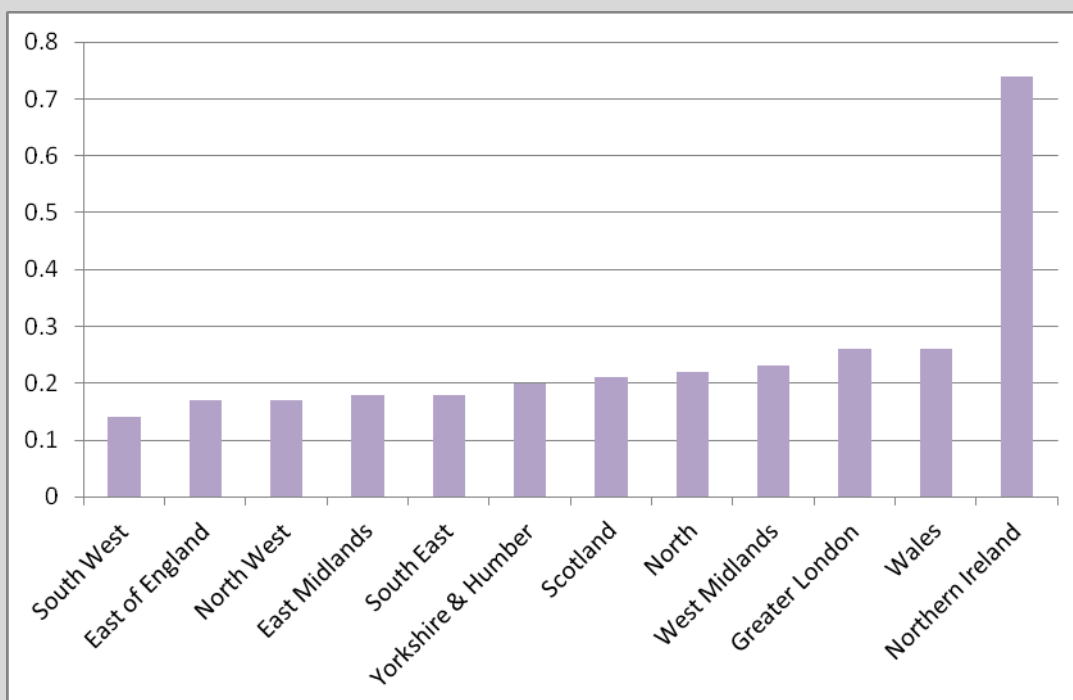
7. While affordability problems or the risk of repossession may be familiar to many households in Great Britain, the magnitude of the crash in Northern Ireland fundamentally distinguishes the region from the aggregate UK picture. As a result of the heavier impact there is a bigger proportion of households with problem debt and at risk of repossession in Northern Ireland than in other parts of the UK. The scale of households already affected is now combined with an alignment of factors potentially leading to a darkening of the landscape.

Estimates for the future mortgage debt landscape

The vast majority of repossessions occur because borrowers are unable to improve their position by remortgaging or downsizing (i.e. are 'mortgage prisoners') and have experienced a negative shock to their ability-to-pay. The large number of households in Northern Ireland within this high risk 'double trigger' bracket accounts for the proportion of repossession cases being brought to court (the repossession rate) overshadowing other parts of the UK.

² The initial evidence paper can be accessed at <http://www.dsdni.gov.uk/rtf-initial-evidence-paper.pdf>

Repossession Rate Forecast 2014 (%)

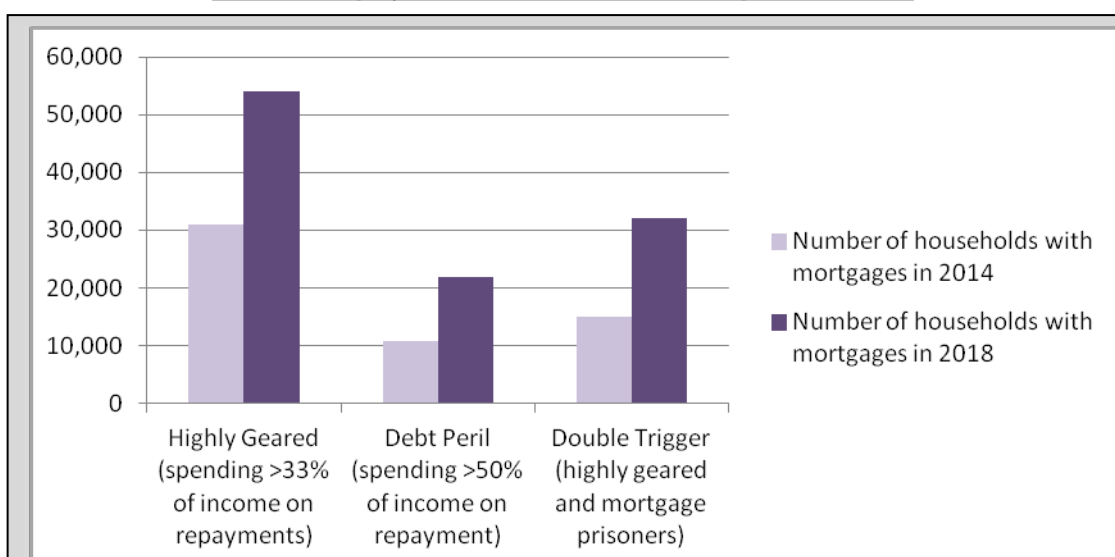


Source: HML

Any increase in the proportion of households facing an affordability problem will lead to a larger number of households falling within the at-risk 'double trigger' bracket. An indicator of pressures on households' ability-to-pay is the proportion of their income spent on mortgage repayments. Estimates for the future suggest that the number of 'highly geared' (spending more than a third of after tax income on repayments) and 'debt peril' (spending more than half of after tax income on repayments) households is likely to increase in the near future.

The combination of a growing number of households holding limited income buffers with existing levels of 'mortgage prisoners' leads to a significant increase in the number of at-risk households in Northern Ireland. It is estimated that the number of highly geared households that are also mortgage prisoners – within the 'double trigger' bracket – will double by 2018; this represents c. 16 per cent of all households with mortgages in the region (Whittaker, 2014). The increasing number of households within this high risk bracket may lead to Northern Ireland's repossession rate continuing to outstrip other UK regions.

Estimates on the Number of Households with Mortgages in Northern Ireland at Risk of Repayment Difficulties and Repossession³



Source: Resolution Foundation

*While these estimates are concerning it is important to acknowledge that the sky is not falling for these households. ‘Highly geared’, ‘debt peril’ and ‘double trigger’ households can all improve their situation by engaging with their debt position. The earlier these borrowers speak to their lender and get free advice the easier it is to secure an affordable and sustainable solution, but it is **never too late** to start this conversation.*

The Taskforce’s Demographic

- The Taskforce is 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 has led to a cohort of over-indebted private residential homeowners whose equity and

³ Modelling is based on the assumption that the Bank of England base rate rises in line with the expectations of the market in March 2014 (reaching 2.9 per cent by 2018) and that household incomes rise in line with Office for Budget Responsibility (OBR) projections, but with variation across the income distribution. ‘Mortgage prisoners’ covers those with outstanding loans of 95 per cent or more of the value of the property (including those in negative equity), households with an interest only mortgage and/or some form of self employment (Whittaker, 2014). The base rate to now expected to rise later and by less over the next five years. An initial rise is anticipated in the fourth quarter of 2015, two quarters later than at the time of the March expectations. The base rate is now expected to reach 2.0 per cent in the first quarter of 2019 (OBR, 2014a). Although markets have lengthened the timeframe for interest rate increases, this does not materially change the indication of the modelling on the scale of households that will be affected.

income buffers have been unable to absorb the impact of the recession. There is also a group of households who may be coping at present but are highly sensitive to future changes such as interest rate rises or reduced availability of work. These two categories of borrowers – those already struggling and the households very close to distress – are the primary concern of the Taskforce.

9. Although it has not been possible to obtain detailed loan-level data for the region, the Taskforce's research has shown that buy-to-let (BTL) mortgages were particularly popular during the 2004 to 2008 period and many investors have been heavily impacted by the crash. While BTL investors can access support from the network of generalist advice providers, the focus of the Taskforce is on residential mortgage holders and tenants of BTL investors. None of the recommendations within this paper aim to shoulder the burden resulting from investment losses.

Policy Challenges and Recommendations

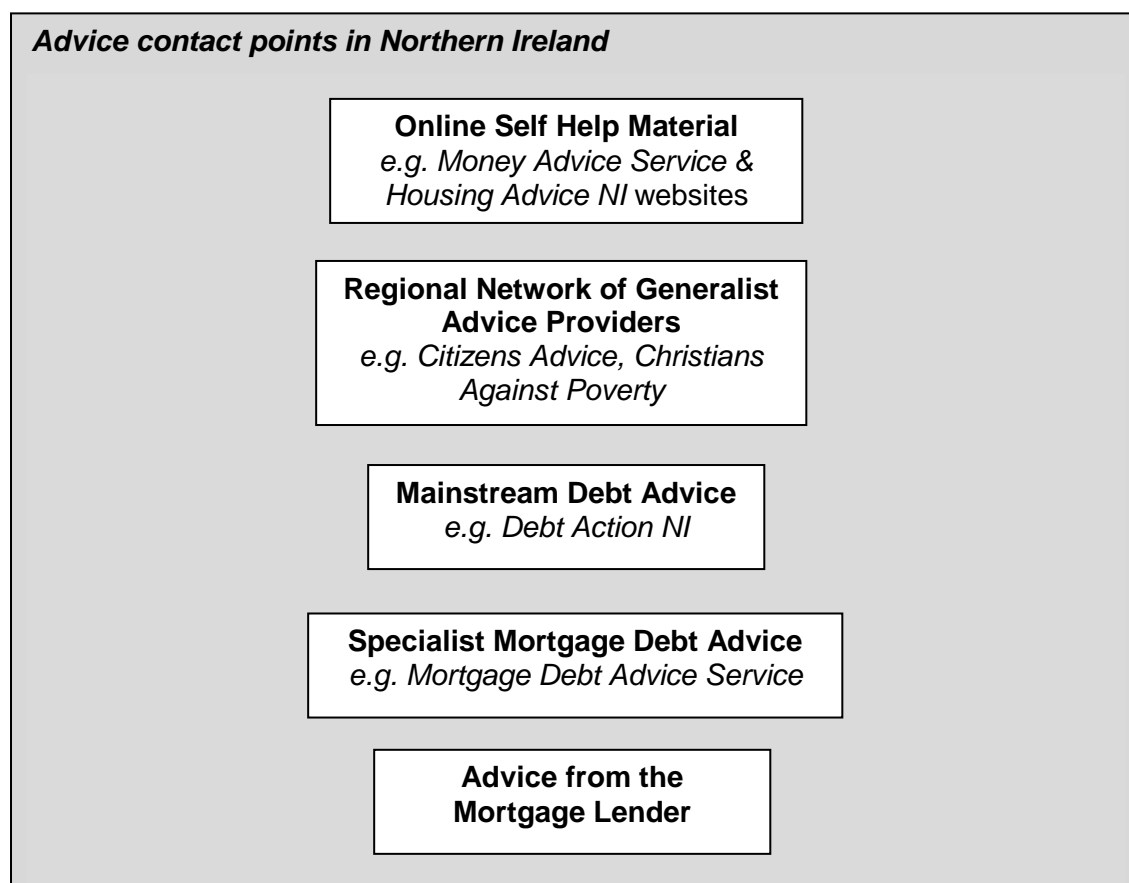
10. The Taskforce's evidence paper presented a set of complex policy challenges for the housing market and the wider economy, which can be grouped into four themes:
 - **Facilitating early intervention:** Many borrowers fail to engage with their debt position and do not seek help even though advice and support is available.
 - **Ability-to-pay safety net:** A significant cohort of borrowers are highly exposed to interest rate rises, future income shocks and changes to credit conditions which could further undermine their ability-to-pay and sustain the economic drag of the debt overhang.
 - **Soft landings out of homeownership:** Exiting homeownership through repossession delivers poor and expensive outcomes for all those involved. For the group of borrowers in a long-term unsustainable debt position alternative structured transitions out of homeownership are required.
 - **Engaging with the legal process:** When borrowers are faced with repossession many do not feel they can positively influence their position and do not engage with the legal process.

11. A suite of recommendations has been developed across these policy themes to support households at risk of repossession. Embedded within each of these themes and all of the recommendations are two core objectives. These are:
- **to help and encourage people to help themselves;** and
 - **to increase the number of people who seek help at an early stage.**

FACILITATING EARLY INTERVENTION

Mortgage Debt Advice

12. A map of the key contact points where borrowers can engage is set out below. Although this network is in place, the Taskforce has found that the majority of borrowers do not seek help and the relatively small number that do reach out for support often make contact at a very late stage. The paradox of this behaviour is that managing a crisis when a borrower reaches the cliff edge of being repossessed is inevitably a more complex, resource intensive and distressing exercise than providing support before they have entered arrears, or even in the early stages of their difficulties.



13. In addition to the free and independent advice contact points there is a range of fee-charging services. Within an open market economy the presence of fee-charging debt management services is accepted; however, the impact of using these providers has been closely scrutinised during the Taskforce's analysis and engagement.

Fee-charging debt management services

When households are at risk of repossession 'layering on additional fees will at best slow down the repayment process and at worst exacerbate an already precarious situation' (Blacklock & Whittaker, 2014). New regulations require fee-charging companies to signpost free advice options and prescribe limits for administration and set-up fees. However, it remains that borrowers will be in a fundamentally better position if their disposable income is wholly targeted at reducing their priority debts.

Further to undermining a household's ability to repay their debts, the advice provided by fee-charging services is often counterproductive. An All Party Parliamentary Group on Debt and Personal Finance concluded that the fee-charging sector is characterised by pressure selling, misleading information, poor advice, poor service and non-transparent fees (APPG, 2012). Consequently, it is essential that borrowers are aware that a free and independent service is both available and preferable.

Recommendation one – Accessing free and independent advice

Due to the significant number of households in Northern Ireland exposed to interest rate rises the Taskforce expects the demand for advice will increase. A number of recommendations within this paper are targeted at improving the structure and delivery of advice, but borrowers must also take responsibility for improving their debt position; only with committed and positive engagement from the borrower can the other agencies truly provide support. The Taskforce recommends that borrowers access the **free** and **independent** channels of advice that suit their needs.

14. Across the full range of policy challenges the Taskforce has identified accessing advice as the pivotal factor. Availing of free advice, in particular the Mortgage Debt Advice Service (MDAS) has transformed the outcomes for many households, but more can be done to maximise the benefits of advice services.

15. The Taskforce's recommendations for improving mortgage debt advice in Northern Ireland are set out in two stages. Stage One will focus on the immediate resource pressures and build on the existing relationships; Stage Two will be targeted at intervening at an earlier stage of households' mortgage debt problems, further harmonisation of the advice network and developing lender engagement in the delivery of advice.
16. The keystone of these improvements, and indeed the wider suite of recommendations the Taskforce has presented, is the development of a Mortgage Options Hub. The Hub's principal aims will be to harmonise advice provision more effectively, coordinate the available options for households in distress and better support lenders in meeting their 'pre-arrears' and 'treating customers fairly' responsibilities. The Taskforce views the development of the Hub as a critical feature of facilitating engagement at an early stage and offering proactive solutions to households. Detail on the stages of improvement and collaborative working that will be required to reach this objective are provided below.

Stage One – Improving what we have

17. Housing Rights Service currently receive £225,000 per annum to deliver the Mortgage Debt Advice Service (MDAS) to 1,350 clients per annum. However, the service is already overstretched with c.1,600 customers a year receiving advice. In the context of the Taskforce's estimates on the current and future scale of households at risk of repossession the capacity of MDAS is not sufficient. In addition, pressures on legal aid may result in fewer households receiving assistance from solicitors, thus leading to further demand placed on the free advice providers (Bright et al, 2014).

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

To meet the increasing estimated demand for free mortgage debt advice the Taskforce recommends that the funding for the Mortgage Debt Advice Service is increased.



70% of MDAS Customers make initial contact after legal action has commenced



20% of MDAS Customers access the service after their first repossession hearing

18. When households engage with their lender it is often at a very late stage when court action has begun. The Taskforce has observed that the legal setting of this engagement and the severity of the borrower's position at this stage frequently produces an adversarial relationship between mortgage lender, the advice sector and the borrower. Whether as a result of unsuccessful discussions in the early stages or a failure to achieve any level of contact, securing an affordable solution at this adversarial crisis point is inevitably more complicated and expensive. Successfully engaging at an earlier stage can help foster a more collaborative approach and ultimately delivery better outcomes. These principles are wholly reflected in the Financial Conduct Authority's (FCA) requirement that firms proactively identify financial stress and have early engagement strategies in place (FCA, 2014).

Lessons on engaging with borrowers

The Money Advice Trust, University of Bristol and Barclays has completed pioneering research into how they can engage with their customers at an early stage. The research found that ‘people who owe less money and/or owe fewer creditors are more likely to engage with their creditors than those who report higher levels of debt (MAT et al, 2011). The report also highlighted that engagement is linked to financial self-efficacy. Consequently, an individual’s belief in their ability to positively influence their situation will encourage engagement and a pessimistic outlook will undermine early intervention. Both of these findings confirm the paradox of behaviour and lucidly illustrate the challenge of communicating with over-indebted and disengaged borrowers.

Key recommendations from the research for lenders include:

- the existence of a separate department to help customers in difficulty is crucial;*
- being able to deal with the same member of staff over a period of time is appreciated by customers;*
- dealing with a knowledgeable member of staff who can sanction a particular action improves the customer experience; and*
- a collaborative approach to agree a workable and affordable solution (such as a repayment plan) is a positive aspect of service provision from the customers’ perspective.*

Recommendation three – Escalation routes and decision points

When borrowers make contact with the support network it is essential that this first engagement is productive. Alienating the customer through poor communication and confusing processes will undermine any future efforts to build a collaborative relationship. To reduce the risk of customers becoming alienated from their lender the Taskforce recommends that mortgage lenders provide the Mortgage Debt Advice Service with named contact points within their organisations. The named contact will provide an escalation route and a decision point within the organisation, which will help to reduce the risk of blockages, delay and alienation.

In addition, experience has demonstrated that empowering staff with regional specific knowledge can have a dramatic impact on the ability of national lenders to positively engage with households in distress. Lenders should seek to equip their staff with an understanding of Northern Ireland’s legal processes and an appreciation of the unique mortgage debt landscape in the region.

19. Throughout the first stage of improvements, borrowers will continue to rely on the network of regional advice agencies providing first contact support and making timely referrals to the specialist MDAS team for appropriate cases. Existing procedures are in place to ensure borrowers are signposted to MDAS; however, the Taskforce's discussions with borrowers has revealed these are not working well.

Recommendation four – Referring customers to specialist advice

Where households contact generalist advice providers with manageable mortgage issues these should be dealt with and resolved at the point of contact. In every instance complex cases should be referred to MDAS for specialist support. The Taskforce recommends that existing protocols between generalist advice providers and the Mortgage Debt Advice Service are revisited to ensure that borrowers are signposted appropriately to MDAS at the earliest possible stage.

Stage Two – Engaging at an early stage

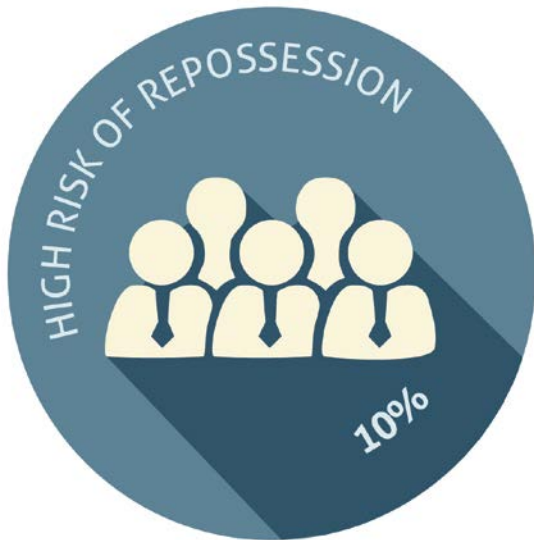
20. The second stage of implementation will address the Taskforce's estimates that an increasing number of households in Northern Ireland will be highly sensitive to future income shocks and changes to credit conditions. The only means of managing the estimated levels of demand is to encourage households to engage with their debt at an early stage, thus preventing an escalation of their problem.

Estimates on the Number of Households with Mortgages in Northern Ireland at Risk and Suggested Level of Borrower Engagement

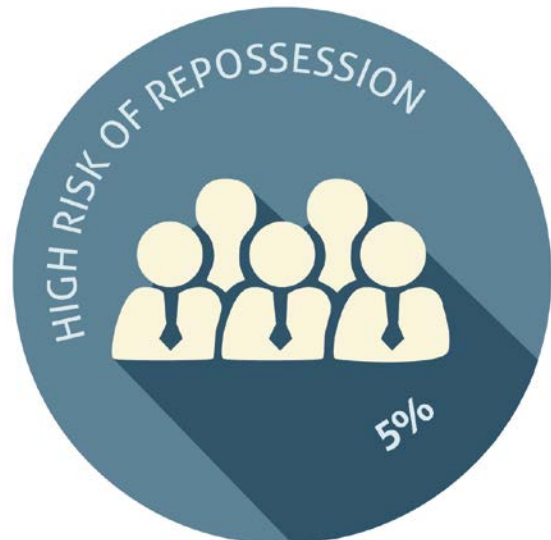
	Number of households with mortgages ⁴ (% of households with mortgages)		Suggested Level of Engagement
	2014	2018	
Highly Geared (spending >33% of income on repayments)	31,000 (15%)	54,000 (26%)	Accessing self-help materials and preparing budgets for future income shocks. If borrowers are unable to manage their budget they should seek advice at an early stage.
Debt Peril (spending >50% of income on repayment)	10,700 (5%)	21,900 (11%)	Accessing self-help material and making first contact with free advice providers for further information on budgeting. Speaking to their lender to discuss their sensitivity to change. The evidence also indicates that the proportion of mortgagors in arrears increases sharply at this stage. Consequently, it may also be necessary to discuss forbearance options with the lender.
Double Trigger (highly geared and mortgage prisoner)	15,000 (7%)	32,000 (16%)	Engaging with lender and free advice sector to discuss budgeting and restructuring options.
Possessions	2,344 (0.74%)	N/A	Actively and collaboratively engaging with lender and advice sector to discuss restructuring options. Advice sector providing representation in court and, if appropriate, preparing for a transition out of homeownership.

Source: Resolution Foundation & HML

⁴ All figures are shown as a proportion of the total population of households with mortgages. See footnote 2 for an explanation on modelling assumptions. No forecast data is available for repossessions in 2018.



The 1600 people per year using MDAS only represent 10% of the group of borrowers currently estimated to be at high risk of being repossessed



The current users of MDAS only represent 5% of the group of borrowers we estimate to be at high risk of repossession in 2018

21. Traditional approaches have been unsuccessful in encouraging borrowers to seek help at an early stage: only a fraction of the estimated high risk ‘double trigger’ group access MDAS for support and when the small proportion of engaged customers do seek help it is overwhelmingly at a very late stage. It is clear that all parties must now transform how they communicate and engage with borrowers.

Recommendation five – ‘Nudging’ borrowers

The Department, on behalf of the Taskforce, has asked the Behavioural Insights Team (the ‘nudge unit’) to provide an innovative stimulus to how early engagement may be achieved. The Team will examine the extent to which behavioural economics could optimise borrowers engaging with their lender and advice providers at an earlier stage. An initial study will be completed by April 2015 and a final report will be shared by the Department.

22. The experience of neighbouring jurisdictions has also illustrated that successful early intervention strategies require a single and highly visible first contact hub. This hub provides telephony and web based advice for households in the early stages of distress and filters complex cases through to a specialist advisory unit for advocacy and representation. While this structure of ‘triage’ and specialist units has proven to be effective in England, there is a large amount of

duplication across the main service providers. In the coming months the future structure and delivery of mainstream debt advice in Northern Ireland will be explored and defined by the Department for Enterprise, Trade and Investment. Within this process there is a tangible opportunity to learn from the valuable experience of debt advice providers in England without replicating the overlap of service provision that exists there.

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

There is an opportunity to harness and harmonise existing public funding of advice services in Northern Ireland. The Taskforce recommends that the Department for Social Development and the Department for Enterprise, Trade and Investment work together closely to develop a connected and integrated delivery model for the provision of mainstream and specialist debt advice in Northern Ireland.

23. The Financial Conduct Authority's (FCA) 'Treating Customers Fairly' expectations continue to have a dramatic influence on the mortgage market landscape. Firms are now required to 'put the wellbeing of customers at the heart of how they run their businesses' (FCA, 2014). The Taskforce's engagement with mortgage lenders has confirmed that firms understand the gravity of the challenge and are committed to securing affordable and sustainable solutions for their customers. However, the experience of some borrowers illustrates that this strategic message is not yet embedded within all mortgage lenders' operations. The examples below, provided by a large national lender and the Financial Conduct Authority, highlight a range of operational practice across lenders.

A lender's procedures

The lender's approach to collections starts with identifying the underlying reasons for arrears. From this fact finding exercise an income and expenditure (I&E) assessment is completed and a range of solutions are discussed. An early referral to free money advice services is provided. Specific resources are targeted at identifying vulnerable customers and these cases are handled by a specialist team. For customers in Northern Ireland it is possible for a house visit to be arranged; this has proved particularly effective as local agents are able to build up positive relationships with customers. When litigation is necessary, the firm continues to explore affordable arrangements to avoid repossession

FCA fines Yorkshire Building Society £4,135,600 for failings in dealing with customers in mortgage arrears

Although firms aim to treat customers in financial difficulties fairly, they are not always getting it right. Yorkshire Building Society failed to deal with their customers proactively leading to vulnerable customers falling into further financial difficulty. Weaknesses in checking procedures and management information, and a failure to identify customer complaints meant that management was deprived of information that would have flagged the poor treatment of customers. In addition to the FCA fine, Yorkshire Building Society will also repay a total of £8.4 million to its customers (FCA, 2014; Dunkley, 2014).

Case study presented by the FCA at the Housing Repossessions Taskforce Conference:

John is a 44 year old postman and Jane is a 38 year old nurse, they have two teenage children both still in education. They have a £40,000 repayment mortgage with nine years left to run and a contractual monthly payment of £446.

Jane is off work for a period with a stress related illness. During this time they fall into arrears of £1,200. The lender agrees to transfer the account to an interest-only for 12 months, reducing the monthly repayment temporarily to £175, and agrees an affordable arrangement to pay an additional £25 per month for six months.

After six months the arrears are reduced to c. £1,050 and John proposes to increase their additional repayment to +£100.

John returns a completed Income and Expenditure (I&E) which illustrates their increased affordability due to reduced expenses; however, the firm refuses to agree the new arrangement until three months bank statements and 13 wage slips are provided, which John cannot provide. The firm subsequently loses the I&E form. Despite the firm failing to agree a new arrangement John and Jane make overpayments of £100 a month. However, as no official agreement is in place the customer is fined a monthly £50 arrears fee.

At the end of the 12 month interest-only arrangement the arrears have been reduced to £450 and the customer is asked to complete another I&E form. At this stage the account automatically reverts back to the original monthly repayment which the customer cannot yet afford. The direct debit is rejected due to insufficient funds and the customer stops engaging with the lender. The account falls into four months of arrears and the lender instigates litigation proceedings (Blackwell, 2014).

Recommendation seven – Bespoke training programme for mortgage lenders

The Mortgage Debt Advice Service provides training to a range of organisations on the services they provide and how organisations can better support households in distress. The Taskforce recommends that the Mortgage Debt Advice Service develops 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.

24. The Taskforce believes that free and independent advice can help remedy the current dislocation between lenders' strategic commitment to the FCA's conduct agenda and the actual experience of some customers. Actively involving the free advice sector in the pre-arrears and pre-repossession discussions has the potential to improve the quality of the outcomes for the borrower. At the pre-arrears stage, MDAS can help lenders overcome the communication barrier of engaging with customers before they encounter distress; for customers in a long term unsustainable position MDAS will be a gateway to the 'soft landing' options providing a structured transition out of homeownership.

Recommendation eight – Developing a Mortgage Options Hub

The keystone of the Taskforce's recommendations for the improvement of debt advice is the development of a Mortgage Options Hub to ensure the best possible support is available for individuals and families at risk of or facing repossession. The Hub will aim to achieve this by harmonising advice provision more effectively and better supporting lenders in meeting their 'pre-arrears' and 'treating customers fairly' responsibilities.

The existing Mortgage Debt Advice Service has been instrumental in supporting households manage the distressing impact of repossession. The Taskforce envisages the Mortgage Options Hub will continue to provide this essential crisis support, but will also exploit opportunities to intervene at an earlier stage. The current picture of advice provision, with numerous generalist advice agencies providing debt-related advice, is confusing for individuals in need and there is a clear case for developing a well-marketed single point of initial contact on debt advice with stronger arrangements for escalating mortgage debt cases to the Mortgage Debt Advice Service at the earliest possible point.

The Taskforce's engagement with lenders has shown that the presence of a robust commitment and comprehensive procedures can, in some instances, foster the belief among lenders that further action is not required. However, the ongoing experience of Mortgage Debt Advice Service customers confirms to the Taskforce that further improvements can be achieved.

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

ABILITY-TO-PAY SAFETY NET

25. Over-indebtedness has been the defining feature of the housing crash and wider recession. The extent to which households are overly burdened with debt has been both a driver of repayment arrears and a heavy weight on the economy. Supporting households to reduce the debt overhang will be at the heart of a functional housing market and prosperous economy.

The weight of the debt overhang on the economy

Over-indebted households in the UK have disproportionately cut their spending in the aftermath of the financial crisis (Mian & Sufi, 2014). 'Cuts in spending associated with debt are estimated to have reduced aggregate private consumption by around 2 [per cent] after 2007, which increased the depth of the recession and contributed to the protracted nature of the recovery' (Bunn & Rostom, 2014). These findings have particular relevance for Northern Ireland where 'consumption has been a key driver of growth'. In the short term, pressure on household consumption is expected to continue into 2015, resulting in the growth forecast for the region falling from 2.2 per cent to 1.9 per cent (PwC, 2014).

Debt is concentrated in low to middle income households, which also have a higher marginal propensity to consume than the higher income decile (Blacklock & Whittaker, 2014; IMF, 2012). Reducing the burden of debt on these households can increase their willingness to consume and stimulate economic activity. Therefore, tackling the debt overhang is a priority for both the housing market and the wider economy.

26. In the 2004 to 2008 period many borrowers in the region 'took advantage of the availability of cheap credit to consolidate their debt or spend money on home improvements or other purposes such as to finance buy-to-let properties'

(Cohen et al, 2011). Alternatively, households accessed large scale loans with high loan-to-value (LTV) and loan-to-income (LTI) ratios in order to meet the rising prices of their new home. 'Credit hungry' households with high LTV and LTI ratios also accumulated high levels of unsecured debt (Bank of England, 2013). Although this behaviour has resulted in households becoming over-indebted across the full spectrum of debt, the financial and wellbeing impacts of repossession positions the mortgage as the priority debt.

The cost of repossessions supports a 'housing first' approach to tackling over-indebtedness

In England it is estimated that the average direct financial cost of a complex repossession is £6,680. The average cost of a simple repossession is believed to be £690 (Shelter [2012] cited in Cabinet Office Unit Cost Database). However, these figures do not include indirect costs such as increased healthcare costs, the wider economic costs to private companies, individuals and organisations or social costs to individuals, personal well-being and social cohesion. Although these intangible costs are difficult to quantify, losing a home is recognised as a 'traumatic experience that can have lasting effects on wellbeing and family life, from disrupting children's education to triggering stress and depression. Indeed, the public perceive repossessions and homelessness to be two of the three most serious civil problems anyone can face' (Reynolds, 2011).*

** This figure focuses on the fiscal costs resulting directly from the loss of a home and the immediate period leading up to this point. The scenario includes the on-going cost of providing temporary accommodation in the private rented sector while the homelessness application is progressing; in this scenario, the cost is based upon two weeks of temporary accommodation. Note that costs following on from a successful homelessness application are not included. In such instances, there may be additional costs relating to extended stay in temporary accommodation.*

27. Some level of repossession activity is a feature of any functioning housing market. However, due to the frequency and ease with which households were able to access credit during 2004-2008, there is currently a much larger than normal pool of borrowers with limited income and equity buffers and at risk of encountering affordability problems. Consequently, the proportion of households facing repossession is much larger in Northern Ireland than in other

parts of the UK. A further key issue on the horizon will be the impact on borrowers' ability-to-pay when interest rates rise.

Interest Rate Rise Calculator

28. The Bank of England Base Rate has been at a historic low since March 2009. Many households will have become accustomed to this benign environment, but mortgage holders should expect interest rates to begin to rise in the future. Although any interest rate rises will be gradual, even a small increase 'has the potential to push stretched households into financial difficulty' (Blacklock & Whittaker, 2014). Households should take advantage of the current window of opportunity to prepare for the certain but gradual increase of interest rates.

Recommendation nine – Stress testing for higher interest rates

To support borrowers to take action, the Taskforce is working to make a mortgage interest rate rise calculator available on the Housing Advice NI website. When available, mortgage holders should use this tool to stress-test their financial position and gauge the impact of future interest rate rises. If households think they may struggle to meet their mortgage repayments when interest rates increase, they should speak to their lender or get free and independent advice at the earliest opportunity.

Products for 'mortgage prisoners'

29. In the current climate of suppressed wage growth and low levels of household savings, there are limited opportunities for borrowers to overcome their affordability problems. For households at the lower end of the income range these pressures are even more acute and there is 'a depressingly familiar finding of low income holding back people's ability to move out of indebtedness' (Orton, 2010). A key means of improving a borrower's ability-to-pay when wage growth or savings are not available can be a better deal from their mortgage lender, but this is not always forthcoming.
30. The Taskforce's evidence paper illustrated that many borrowers were able to access interest only, high LTV and self-certified mortgages in the period of relaxed credit conditions. Some of these mortgage arrangements are no longer suitable; however, despite the unaffordable nature of their mortgage terms, this

cohort of borrowers has been effectively excluded from the market by new macro-prudential measures (Whittaker, 2014; Blacklock & Whittaker, 2014). This phenomenon is particularly relevant to Northern Ireland where it is estimated that nearly 60 per cent of households with mortgages are unable to access market based options for restructuring (Whittaker, 2014; FCA, 2012).

31. Analysis completed by the Resolution Foundation has highlighted that lenders can be doing more to support their 'mortgage prisoner' customers (Blacklock & Whittaker, 2014). Transitional arrangements explicitly allow for the wavering of the Mortgage Market Review's (MMR) affordability tests for some existing borrowers. These arrangements can be used to ensure borrowers are not being unnecessarily prevented from accessing mortgage products that would improve their repayment position and potentially avoid entering distress.

Recommendation ten – Supporting mortgage prisoners

Transitional arrangements may provide 'mortgage prisoner' customers with the opportunity to improve their own position before interest rate rises adversely impact on their ability-to-pay. The Taskforce recommends that where transitional arrangements are not currently available, lenders review their processes to ensure households can take advantage of these arrangements before interest rate rises take effect.

32. Negative equity is the largest single issue affecting 'mortgage prisoner' households. It is estimated that 35 per cent of households with mortgages in Northern Ireland have low or negative equity (Whittaker, 2014). This proportion rises to 41 per cent for borrowers with mortgages advanced since 2005 (HML, 2014). With house prices remaining nearly 50 per cent below their 2007 peak, it is clear that an attritional approach dependent on house price inflation will not be sufficient to alleviate the burden and impact of negative equity in Northern Ireland.

Recommendation eleven – Negative equity products

The Taskforce recommends 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.

Lender Forbearance

33. Lenders' forbearance policies have been a distinguishing feature of this financial crisis. In cases where borrowers have entered arrears, a more flexible approach has led to increased use of forbearance options. Consequently, higher levels of arrears have been tolerated and the UK rate of repossessions, to date, is lower than in the 1990s. However, 'policy measures designed to deal with repayment difficulties over the course of the downturn may need to be adjusted to meet the new challenges posed by tomorrow's problem debts' (Blacklock & Whittaker, 2014).

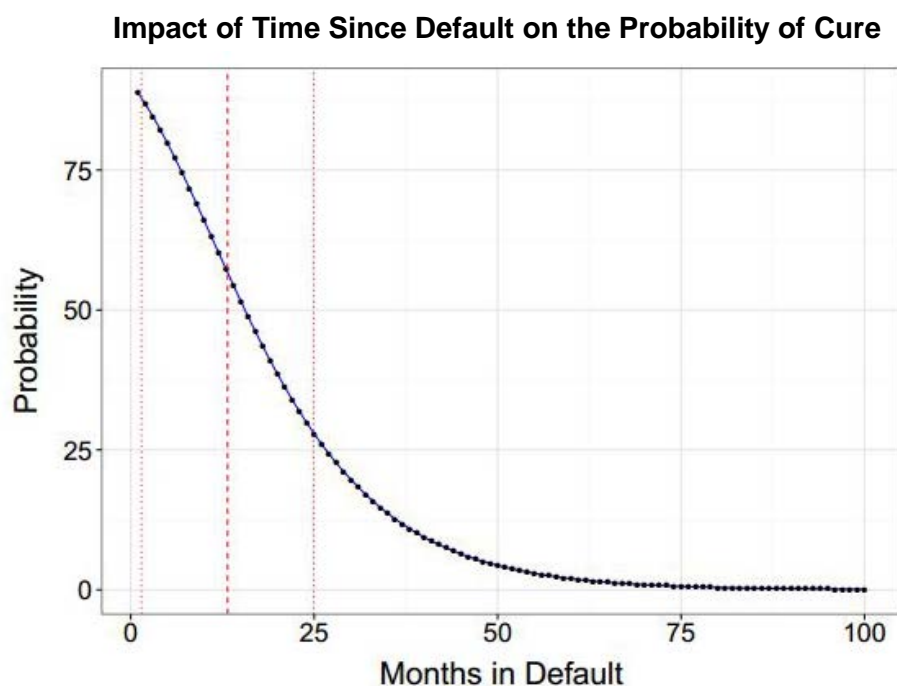
Innovative Forbearance Options

Under the Central Bank of Ireland's Code of Conduct on Mortgage Arrears (CCMA), lenders must operate a Mortgage Arrears Resolution Process (MARP) with customers who are in mortgage arrears or who are likely to fall into mortgage arrears. This has led to the development of innovative forbearance options, including 'debt warehousing' and 'deferred interest' schemes. Innovative approaches are also evident in America's Home Affordable Modification Programme (HAMP). Specific examples on innovative forbearance options are provided below:

'Debt warehousing' allows for mortgages to be 'split' for selected customers. The borrower is required to continue servicing one part of the loan with possibly an increased term. The second part is 'warehoused' with no interest charges until a later date. Exploring this option with lenders has the potential to dramatically improve the short to medium term prospects for borrowers. A 'deferred interest' scheme provides more time for a borrower to secure sustainability while limiting the extent of further arrears. The scheme is targeted at borrowers that are experiencing distress but have a reasonable prospect of securing the sustainability of their mortgage in the future. Eligible households would be entitled to defer an unaffordable portion of interest, which would accumulate in a non-interest charging deferral account (Cooney, 2010).

34. While there has been a reduction in the overall number of mortgages in arrears, the continuing presence of borrowers in deep arrears and the challenge of returning these borrowers to a performing status confirms the need for lenders to innovatively approach arrears management (CML, 2014). Each month a mortgage is in default the likelihood of it returning to a performing status is

progressively decreased. Analysis on the UK mortgage market completed by the Central Bank of Ireland suggests loans that have been in default for one year have a 50 per cent chance of ‘curing’ back to a performing status, with the probability falling to 25 per cent for loans in default for two years and close to zero for those in default for more than three years (McCann, 2014).



Source: Central Bank of Ireland

35. The illustration of a significant ‘scarring effect’ of the time spent in arrears provides an important impetus to policies that aim to innovatively and proactively target households at risk of entering affordability problems. Securing an early and sustainable modified mortgage solution, as defined in programmes such as America’s Home Affordable Modification Programme (HAMP) and the Republic of Ireland’s Mortgage Arrears Resolution Targets (MART), can mitigate the risk of borrowers becoming ‘trapped’ in long-term arrears with little chance of recovery (McCann, 2014).

Recommendation twelve – Innovative forbearance options

The Taskforce recommends 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. Although these options will not be exclusively available to borrowers in Northern Ireland, they are likely to be particularly beneficial to households in the region.

36. Lender forbearance must also holistically look at the borrowers' over-indebtedness to secure an affordable and sustainable solution. Performing repayment plans which do not consider the presence of second charge loans do not alleviate the risk of repossession. Second charge lenders cannot pursue repossession where the value of the property is below the outstanding first charge mortgage. However, over-indebted households in negative equity whose debt includes second charge loans may be at risk of repossession should their equity position improve.
37. It is positive that second charge mortgages will be required to comply with FCA mortgage rules in areas such as affordable lending, advice and dealing with payment difficulties. However, there is an immediate risk that households may be impacted before the new regime comes into effect in March 2016. To mitigate the risk of second charge lenders increasing the rate of repossessions in this interim period, all lenders should communicate with each other to agree a holistic and sustainable repayment plan for their customers. Although securing agreement will be an inherently complex process, there is a strong mandate for the respective representative bodies, the Council of Mortgage Lenders and the Finance & Leasing Association, to facilitate engagement between first and second charge lenders.

Support for Mortgage Interest

38. Support for Mortgage Interest (SMI) is a means of financial support for struggling homeowners in Northern Ireland. This continues to provide essential support for eligible homeowners in the region. HM Treasury has committed to funding SMI until March 2016.

Recommendation thirteen – Funding Support for Mortgage Interest

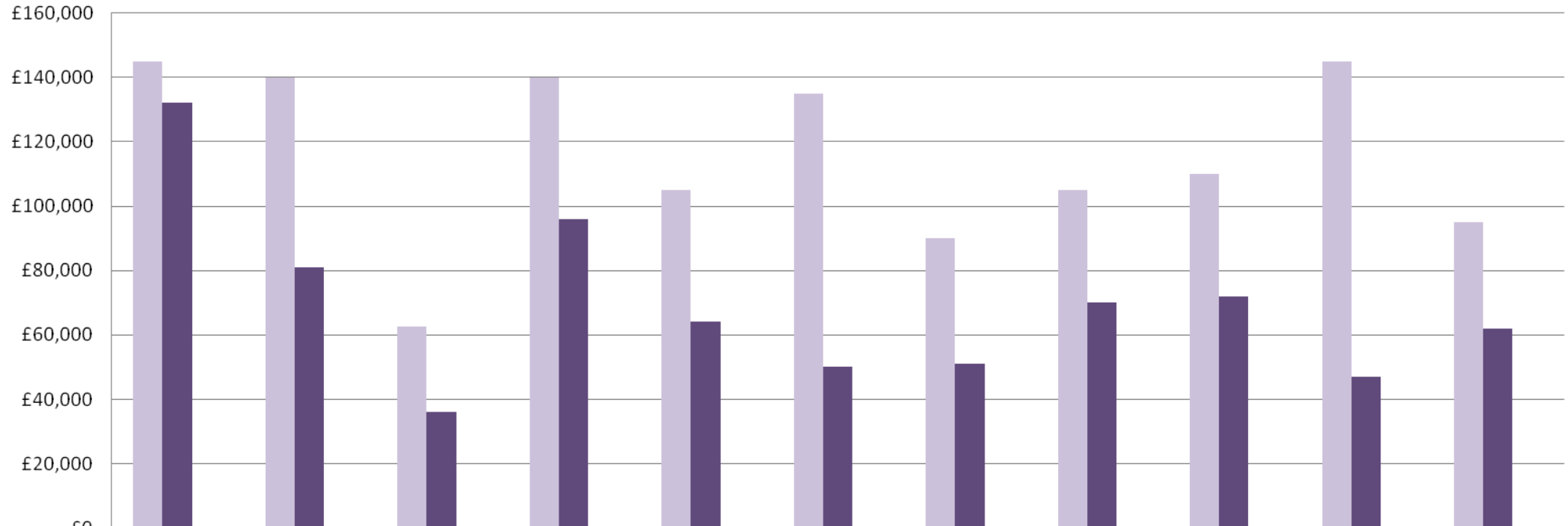
The Taskforce recommends that HM Treasury continues to provide this essential support for eligible homeowners across the UK into the next budgetary period.

SOFT LANDINGS OUT OF HOMEOWNERSHIP

39. There is a group of households in deep arrears that are in a long-term unsustainable debt position. The reality for some of these households is that remaining in homeownership is not a sustainable or appropriate option. However, over-confidence and an optimism-bias can often inhibit households appreciating the severity of their position. In particular, many households have an overly optimistic view on future house price inflation. It is important for households to recognise that house prices in the region remain nearly 50 per cent below their 2007 peak, and 'a return to this "freak peak" is neither expected nor desired' (Nationwide, 2014; Ramsey, 2014). Mortgage lenders and the advice sector will be key figures in supporting households make a balanced and informed decision on the long-term sustainability of their position.
40. It will be clear in some instances that exiting homeownership provides the best outcome for the borrower. Allowing these cases to progress to the courts and then having to manage a crisis situation reflects a series of missed opportunities. Rather than repossession being the most commonly used option, households should access options that provide a planned transition out of homeownership. These 'soft landing' options reduce the emotional and financial distress for borrowers, and provide reputational and business benefits for lenders, particularly by minimising losses from negative equity (Wallace et al, 2011).
41. The FCA's Mortgage and Home Finance: Conduct of Business (MCOB 13) sourcebook states that when a property is repossessed firms must ensure that steps are taken to 'obtain the best price that might reasonably be paid' (FCA, 2014). However, in Northern Ireland it is estimated that repossessed properties sold between 2008 and 2013 only achieved 42 per cent of the 'true market value'. Although the amount the market is willing to pay for a repossessed property sold at auction naturally represents the 'market value' at that time, this research illustrates that the process of repossession fundamentally debases the value of the property. The sample properties included in the below chart confirms the prevalence of this problem in the region.

A Sample of Repossessed Properties' Capital Value and Auction Sale Value (November 2014)

■ Capital Value ■ Sale Price



Capital Value	£145,000	£140,000	£62,500	£140,000	£105,000	£135,000	£90,000	£105,000	£110,000	£145,000	£95,000
Sale Price	£132,000	£81,000	£36,000	£96,000	£64,000	£50,000	£51,000	£70,000	£72,000	£47,000	£62,000
Percentage Difference	9%	42%	42%	31%	39%	63%	43%	33%	35%	68%	35%

42. It is estimated that 97 per cent of repossession cases in Northern Ireland are affected by this issue, resulting in borrowers being responsible for a mortgage shortfall debt after their property is repossessed (HML, 2014). As a result, ‘the catharsis of “exit” and the chance to rebuild without an unsustainable burden of debt may in fact prove elusive’ for many repossessed households in Northern Ireland (Blacklock & Whittaker, 2014).
43. Failing to achieve a ‘true market value’ also has wider implications for the housing market. It is estimated that a single repossession lowers the price of a neighbouring property by 1 per cent, but a wave of repossession leads to a decline estimated to be almost 30 percent (Campbell et al [2011] cited in IMF, 2012; Mian & Sufi, 2014). This trend of ‘self reinforcing contractionary spirals’ is wholly evident in Northern Ireland and is contributing to the presence of a dysfunctional market environment (IMF, 2012).

Recommendation fourteen – Achieving best value & promoting ‘soft landings’

The Taskforce’s analysis has shown that despite voluntary exits from homeownership being available repossession remains the most commonly used option. The failure of borrowers to productively engage with the process or lenders’ communications and handling procedures can undermine the viability of a collaborative exit. The current position of repossession being the most commonly used option leads to property values being reduced at a repossession sale and increased costs for the borrower. The Taskforce recommends 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.

44. Providing ‘soft landing’ options at an early stage can reduce the shortfall debt and deliver much more favourable outcomes for the borrower, government, advice sector and the lender. The Taskforce’s recommendations for ‘soft landing’ options are focussed on the viability of a Mortgage Rescue Scheme, access to the private rented and social housing sectors, and the availability of Assisted Voluntary Sale.

Mortgage Rescue Scheme

45. Mortgage Rescue Schemes have been the flagship option in England, Scotland and Wales to support households facing repossession. The schemes provide the opportunity for households to either reduce their equity share or to remain in their home as tenants of a housing association. The experience of Scotland in particular has shown the scheme to be an effective last resort option for the most vulnerable homeowners. Strict eligibility criteria may limit the direct number of beneficiaries; however, including the products in the ‘shop window’ of advice agencies has increased the number of borrowers seeking help.

46. Constraints on public expenditure will fundamentally shape the viability and development of a rescue scheme. A key means of delivering an affordable product will be the design of the eligibility criteria. The Welsh scheme limited the eligibility criteria to those applicants who were disabled and whose homes had been adapted to meet their needs. Consequently, the scheme was specifically targeted at the most vulnerable in society and expenditure was within budgetary constraints.

Recommendation fifteen – The feasibility of mortgage rescue

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

Early Access to Private Rental Sector and Social Housing

47. In 2013, 1,522 repossession orders were completed by the Enforcements of Justice Office (EJO). In the same period 443 individuals presented to the Housing Executive as homeless due to mortgage arrears, of which 216 were accepted as Full Duty Applicants. While it is not possible to disaggregate buy-to-let or commercial repossessions from the EJO statistics, the comparison with homeless statistics indicates that the majority of households independently find alternative accommodation after their home is repossessed. Given the financial position these households are likely to be in, the Taskforce has identified the opportunity to better support their transition into the private rented sector.

48. The lack of savings or a poor credit history may present households with a significant obstacle to securing alternative accommodation. The NIHE's pilot service provides a valuable gateway for households to overcome these obstacles and access the private rented sector. The Taskforce believes there is potential for this service to be expanded to also support households facing repossession.
49. For the proportion of distressed borrowers eligible for social housing there is an opportunity to improve their transition out of homeownership by bringing forward their homelessness assessment. Eligible households currently enter the homelessness assessment process when they are within 28 days of eviction. However, it is likely that they will have been aware of the unsustainable nature of their tenure for a considerable time.

Recommendation sixteen - Accessing the private rented sector and homelessness assessments

The Taskforce encourages the Housing Executive to consider the full potential, which exists within their current statutory obligations, to ensure timely assistance, including homelessness assessment, is available to people faced with losing their home as a consequence of repossession. In particular the Taskforce recommends that NIHE consider, when extending their pilot housing options service, that this service should be available to these vulnerable households.

50. Research has illustrated that 'the identification of suitable, alternative housing is a key factor that can affect the implementation or acceptance of a particular route out' (Wallace et al, 2011). Therefore, synchronising the NIHE's work in securing a private rented sector or social housing options with lenders' discussions on alternatives to repossession may also help borrowers complete an early exit. A key underutilised means of supporting borrowers to sell their property is Assisted Voluntary Sale.

Assisted Voluntary Sale

51. Assisted Voluntary Sale (AVS) offers a structured and planned exit from homeownership which can provide better outcomes for both borrowers and lenders. The scheme can be particularly beneficial to households in negative

equity as shortfall debts can be minimised by achieving an increased sale value with the borrower in the home, as opposed to an auction sale following repossession. Reducing borrowers' exposure to shortfall debts is fundamentally aligned to the FCA's 'conduct agenda'. In addition, there are commercial incentives in reducing lenders' exposure to a borrower defaulting on large and unaffordable unsecured debts.

52. Poor engagement from borrowers can undermine lenders' attempts to offer a voluntary exit. In addition, a lack of information and the absence of established routes into the scheme have previously explained the low take-up of AVS among lenders (Wallace et al, 2011). However, given the amount of time that lenders have had to develop individually viable schemes and the prevailing climate of 'treating customers fairly', it is no longer acceptable that AVS is an underutilised option. The National Homelessness Advice Service and Shelter have developed a good practice guide⁵ to support the development of AVS and a number of lenders have risen to the challenge, but more needs to be done to embed AVS into market practices.

Recommendation seventeen – Alternative to repossession

The Taskforce recommends 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.

ENGAGING WITH THE LEGAL PROCESS

53. Acknowledging the severity of a debt problem can be difficult and lead to borrowers failing to respond to communications. 'Individuals in debt are a group that is difficult to access and they behave in unpredictable ways; they rarely seek advice and information from the sources that can help' (Ministry of Justice cited in Bright et al, 2014). These findings reflect the Taskforce's analysis and account for many borrowers reaching court without having previously engaged with their lender or the advice agencies. More can be done

⁵ The guide can be accessed at http://www.nhas.org.uk/docs/6219_NHAS_AV_S_GPC.pdf

by all those involved to stimulate borrower engagement before their repossession hearing and support their interaction with the legal process.



In 2013, 80% of mortgage cases in the courts were disposed of without the borrower being in attendance

Mortgage Pre-Action Protocol

54. The Mortgage Pre-action Protocol (MPAP) has been an effective catalyst for engagement between lenders and borrowers. However, analysis in England has found that there is inconsistent application of the protocol. The study found that in some cases judges are 'scrupulous about implementing the recommendations' while in other instances 'the protocol is being ignored not only by the courts, but also by the lenders bringing the action'. The review in England recommended that that more could be done to ensure the MPAP does not simply serve as a box ticking exercise (Bright et al, 2014).

Recommendation eighteen – Monitoring developments in the Mortgage Pre-Action Protocol

As households in Northern Ireland move out of the benign low interest rate environment, the Taskforce is keen for distress to be identified at an early stage and borrowers to engage with their lender at an early point. The MPAP will be a key tool in ensuring this is achieved. The Taskforce recommends that the Northern Ireland Courts Service monitors MPAP developments in England to see if any emerging modifications may improve the effectiveness of the protocol in Northern Ireland.

Borrowers Attending Court

55. Attendance at court is likely to lead to a more favourable outcome for the borrower. However, many borrowers feel powerless and paralysed by fear when they receive a summons and as a result do not attend their repossession hearing (Bright et al, 2014). In 2013, 80 per cent of cases were disposed by the court in Northern Ireland without the borrower or their representative being present at any of the hearings. Even at this late stage it is possible to positively influence the outcome; however, this will only be possible should the borrower or their representative attend the hearing.

A judge's view

In contributing to an English study on court attendance a judge commented that: 'I think if the message could get out there that it is worth turning up and if you do turn up you might be very surprised at the sympathetic way in which you're dealt with' (Bright et al, 2014).

Housing Possession Court Duty Scheme

56. When borrowers do engage with the legal process the Housing Possession Court Duty Scheme (HPCDS) is an essential safety net for those borrowers that have not previously received advice. Although it is always preferable for borrowers to engage at an early stage, the unfortunate reality is some borrowers attending court have not received advice before. In these circumstances Housing Rights Service's solicitors are available on the day of the hearing to 'provide an important kind of emergency service' (Bright et al, 2014).

A borrower's view

'I wouldn't have been able to get through the court case without you. I would have been lost without you' (Housing Rights Service HPCDS Client).

Recommendation nineteen – The Housing Possession Court Duty Scheme

The availability of a Housing Possession Court Duty Scheme can play a significant role in achieving a beneficial outcome. It is important therefore that funding for such schemes continues' (Bright et al, 2014). Echoing these findings, the Taskforce recommends that the Department of Justice continues to fund this service to meet its customers' needs.

IMPLEMENTATION OF THE TASKFORCE'S RECOMMENDATIONS

57. The suite of recommendations within this paper both recognise the potential problem facing households in Northern Ireland and sets out a clear commitment to meet this challenge. A number of recommendations require action in services managed or funded by Government, including debt advice services. The implementation and, where required, development of these recommendations will require ongoing and sustained engagement with government departments, the advice sector and mortgage lenders.

Recommendation twenty – Implementation Project Team

To secure the delivery of those recommendations with a link to Government funded activity, the Taskforce recommends an implementation project team is created which includes seconded experts from the advice sector and a mortgage lender. The implementation team should be in place by March 2015 and its work completed by April 2016.

This work will be primarily focussed on implementing the Taskforce's recommendations. However, the team will also be expected to fulfil a 'horizon scanning' function to monitor the development of the arrears and repossessions landscape in Northern Ireland. A specific risk the Taskforce has identified is the group of borrowers with interest-only mortgages. While this cohort of mortgagors has been difficult to quantify, it is anticipated that a proportion of these borrowers will encounter a shortfall as a result of underperforming or absent repayment strategies. Monitoring this risk with the wider development of arrears and repossessions will be a key challenge for the implementation team.

The Housing Repossessions Taskforce Timeline

February 2014	Housing Repossessions Taskforce established to investigate the impact of repossessions in Northern Ireland.
February - June 2014	Completion of the research phase of the Taskforce's work, making use of available data sources and the expertise of members to present the negative equity, arrears and possessions landscape in Northern Ireland.
July 2014	Publication of Taskforce's initial evidence paper. ⁶
August – October 2014	A series of sector specific engagement events were held with mortgage lenders, the advice sector, policy makers and borrowers to provide these key groups the opportunity to contribute to the development of the Taskforce's recommendations.
November 2014	Housing Repossessions Taskforce 'Helping Households to Help Themselves' conference held at Titanic Belfast. ⁷
November – December 2014	Development of the Taskforce's recommendations.
February 2015	Publication of final report.

⁶ The initial evidence paper can be accessed at <http://www.dsdni.gov.uk/rtf-initial-evidence-paper.pdf>

⁷ Full details on the Taskforce's conference can be accessed at <http://www.dsdni.gov.uk/index/hsdiv-housing/housing-repossessions-taskforce/helping-households-to-help-themselves-conference.htm>

The Housing Repossessions Taskforce Membership

The Taskforce is chaired by Stephen Martin, Deputy Director of Housing Policy Delivery within the Department, and includes representation from the advice sector, lenders, private landlords, professional bodies and the statutory sector.

Membership includes representatives from:

- the Council of Mortgage Lenders;
- Housing Rights Service;
- 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.

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