

REPOSSESSION

If you're struggling to meet repayments, don't have an MPPI policy or savings, and aren't eligible for any state help, then you need to be aware of your repossession rights. Of course, before that, do look at the bigger picture of your finances to see whether you can free up other cash.

What is repossession?

A mortgage is a loan secured on your home. That means if you can't repay, the lender has a right to take your home instead. Repossession is when it puts this right into practice, by going to court, and taking the house.

Most lenders don't want to repossess, they'd prefer you to repay, so you do have some freedom here. However, if it looks inevitable that you can't afford it, or it needs money quick, it will try to take your home swiftly. Then it'll often do a fire-sale to recoup the debt. Sadly, even that isn't necessarily the end of it; if the sale doesn't cover what you owe, it can still chase you for the cash.

Repossession-proofing steps

Lenders are required to use repossession only as a final resort, and there is an agreement that the major lenders won't commence repossession proceedings until at least three months of arrears have occurred, and refer you to independent debt advice.

A bright spot is that a few banks - RBS, Natwest, Northern Rock and Bradford & Bingley - have said they will wait until borrowers are in six months of arrears, giving you a bit more time to sort out an alternative...

- **Speak to your lender.**

Crucially, banks shouldn't start repossession proceedings while a settlement is being actively negotiated. The key word here is "actively". If your bank is writing to you, and you are hiding the letters under the doormat, it can argue that no negotiations are taking place and commence repossession.

Don't miss repayments without talking to the lender first. It has far less impact if you've agreed a missed repayment or communicated that it's happening. Missing a repayment without informing your lender triggers the "arrears" issue immediately and starts the clock towards repossession.

Discuss with it alternative options which will lower the amount of money you need to pay it each month. These include...

Extending the mortgage term.

By lengthening the term e.g. from 20 to 25 years, you spread the debt over a longer period, thus reducing the amount that needs repaying each month. Over the long run it does mean you'll pay more interest, so once you can cover the old level of repayments, try to reduce the term again.

Request a payment holiday.

If you just need a short time to catch up, see if the lender will consider allowing you a payment holiday. It may impact your credit score but, if it buys you enough short term time to keep things on track, it should be worth it.

Switch to interest only.

To really reduce the payment, ask if you can switch to an interest only mortgage, so you are no longer paying off the actual loan itself. This will drastically reduce the amount you pay each month. As this will cost more in the long term, consider asking if you can shift to interest-only for a set period only.

- **Seek debt help**

If you are struggling, the first thing to do is take a look at all your debts together, and try to manage and prioritise them.

If you have problems with your lender, then using one of the non profit debt counselling agencies also adds real weight; and if it ever got to court, then it is very helpful in proving you've been 'actively' trying to sort it out, which could prevent a court from issuing a repossession.

The main agencies are...

Consumer Credit Counselling Service: Full debt help service.

National Debtline: Full debt help service.

Citizens Advice Bureau: Full debt and consumer advice service.

Christians Against Poverty: Debt counselling agency, which specialises in helping those who are emotionally struggling too. The religious focus is why they do it, not how they do it.

- **Try to pay something**

Negotiations with a lender can involve asking to move your payment date, or suggesting a smaller monthly payment for a specified period. The bank should

listen to these, and make suggestions of its own (talk it through first with the debt counsellors).

If repossession's already happening?

This really is worst case scenario time, but it's important to know what would happen. If your home is successfully repossessed by the lender, it'll then sell it to get the money to repay the debt.

Never try and fight repossession on your own, it is a legal issue, and you need legal advice as soon as possible. The Housing Duty Scheme, by Community Legal Advice can give free advice at around 100 courts across England and Wales. Failing that one of the debt help agencies should be able to provide info.

If the house does sell for less than you owe, it may want you to cover the unpaid debt, known as the mortgage shortfall. Yet this is no longer a 'priority debt', so the bank can't take your possessions in its place.

The lender can pursue you for the shortfall for up to twelve years, and six years for any interest.

We can buy your home quickly! Sell your house in 28days!

In any market we purchase houses, whether house values are increasing at 20% a year or decreasing at a comparable amount, this is our business, we are house buyers.

We are in the business of offering a solution to property owners problems and we continue to do so through the recession and will continue in foreseeable future.

Our service can result in your agreeing your quick house sale in just 24 hours.

We focus on how we can work together to solve your problem and offer you the opportunity to sell your house as quick and as hassle free as possible, no matter the condition it is in!

Contact us today at enquiries@fasthousepurchase.co.uk or complete our contact us form.