

Are You A Mortgage Prisoner? What Can You Do To Escape?

If you are a mortgage prisoner, this means you are unable to switch to a new mortgage deal.

There are many reasons why you might be a mortgage prisoner, but the most common reason arises when a lender was taken over by the Government, and is no longer around.

Also, any mortgage holders who have held a mortgage for some time might find they are no longer eligible for the best deals due to the criteria imposed by lenders.

No matter the reason, if you are currently paying a high interest rate and there is little chance of you switching to a more affordable mortgage, you will feel trapped; and this is why you are classed as a mortgage prisoner.

Are there many mortgage prisoners in the UK?

While anyone suffering from this situation is only looking for a way to improve their situation, it might be helpful to know you are not alone in this situation.

The Financial Conduct Authority suggests as many as 250,000 mortgage holders might be in this situation.

Some of the key findings in their study include:

- Their study found 57% of mortgage prisoners held a mixed-repayment or interest-only mortgage
- 47% of mortgage prisoners owe at least £100,000 on their mortgage
- 63% of people who felt trapped in their mortgage had at least 10 years left on their mortgage
- 35% of mortgage prisoners were paying interest of less than 3%, which means these mortgage holders will be unlikely to switch to a more attractive deal
- 17% of mortgage prisoners were paying more than 5% on their mortgage rates
- The remainder were paying between 3% and 5% on their mortgage

While in the grand scheme of things, the number of people in this situation might not seem large, but there is a need to recognise the issue, and try to resolve it.

Mortgage prisoner support groups say help is required quickly

For the people who are currently stuck paying a mortgage they cannot switch from, life will be uncomfortable. Also, with people finding themselves trapped in a mortgage, there will be a knock-on effect to the wider mortgage market, so it is best for everyone to allow these people to enjoy greater flexibility in the market.

Rachel Neale, lead campaigner for UK Mortgage Prisoners, has spoken about the matter; saying; *“We’ve been campaigning for two years and have asked the Government to cap the interest rate for those in a non-regulated entity - which was later turned down. We were told there was sympathy for us, that we were a priority, and then a month later more mortgages were sold in the same way - thousands are trapped. We have little faith in what the Treasury are going to do for us, and we’re now 16 years down the line. We really need these people freed and we are continuing to campaign on.”*

Support is available for mortgage prisoners

The FCA has amended lending rules to assist people who find themselves unable to switch mortgages because of tighter regulations imposed since 2008. There is a “modified affordability assessment” available to lenders, and can be applied to applicants who meet the following criteria:

- Have a current mortgage
- Be up to date with your loan repayments and not have any missed payments in the last 12 months
- Not want to borrow any more money other than what you need to finance your home
- Be looking for a new deal for your existing home

On top of this, the FCA has asked lenders to check their books and contact affected customers.

How to explore arranging the best mortgage with The Money Hub

Call The Moneyhub Limited on 0203 725 5830 and speak to one of our highly specialised and dedicated Mortgage Advisors or you can complete an enquiry form which will allow you to schedule a call time.

DISCLAIMER: These articles are for information only and should not be construed as advice. You should always seek advice prior to taking any action.