

A guide to: Repossession

Contents

Why do properties get repossessed?.....2

When does the repossession process start?.....3

How can I stop my house being repossessed.....4

Next steps for Repossession.....5

What happens in court for property repossession?.....6

Can my ill health stop my house from being repossessed.....7

How do I apply for an interest-only mortgage.....10

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Why do properties get repossessed?

Your property is at risk of repossession if you do not pay your mortgage in full and on time each month.

Repossession can be an intimidating word, but if you understand exactly why repossession occurs and what you can do to avoid it, you'll be able to remain in control of your property.

We've put together this guide to help people dealing with the prospect of repossession. At, [We Buy Any House](https://www.webuyanyhouse.co.uk), we help 100s of customers each month and wanted to share some valuable information to help others in a similar situation.



When does the repossession process start?

Lenders can start the repossession process for your property if you're unable to make your mortgage repayments. The mortgage law gives lenders the legal right to apply to repossess your house after you've been in arrears for 12 months. They will need to get a judge to grant an order for possession before they can go ahead with the repossession.

If you're facing repossession, it's important not to panic. Your lender is legally required to follow a procedure and has to give you at least 15 days notice of a repossession order, in the form of either a written warning or a repossession notice. You should make sure that you fully understand the repossession process, as knowing the stages can help you avoid repossession. This will also let you know that you can stop the repossession mid-process.



How can I stop my house being repossessed?

- By extending your mortgage term to allow you to make smaller payments each month
- By taking a mortgage payment holiday, to allow you to stop making your payments until you're back on your feet
- By capitalising your arrears - show your lender that you're trying to deal with the problem
- By potentially changing your lender if you can find better terms

If you're able to make an agreement with your lender and stop the repossession, then you'll need to focus on keeping up with your payments to avoid a repeat. This is usually easier said than done, but there are a few ways to avoid falling into the same trap.



Next steps for Repossession

You won't immediately get kicked out of your house, there is a protocol that lenders have to follow. This protocol makes sure that you're fully aware of what is happening, and gives you time to get your payments under control.

Standardly, lenders will send a series of letters, which each tend to have a 15-day deadline to respond. You must respond to these letters as soon as you can. If you ignore them, things will only get worse, so you want to make sure you're being as proactive as you can be to get your finances in line and arrange with your lender to start your payments again.

If you're aware that you're going to struggle making your mortgage payments for whatever reason, it's best to contact your lender straight away and let them know that you're trying to get the issue under control and often, showing this kind of responsibility will encourage them to give you more flexibility than someone who hides from the debt building.

If you do not contact your lender and try to organise some sort of arrangement, or you cannot reach a compromise, your lender will apply for a court order. At this point, you can still make payments towards the debt or fully pay off your arrears which can halt the process.





What happens in court for property repossession?

Although you've been taken to court by your lender, there isn't a guaranteed outcome of repossession. You'll be given the chance to present your argument to a judge as to why your house shouldn't be possessed, and how you intend to pay the debt off. If you reach this point, it's best to find some sort of legal advice to give you the best chance possible.

If despite your best efforts, you lose the case and the judge rules that the house be repossessed, you still have time to find somewhere else to live. The court has to give 28 days before a possession order is actioned, and this can be extended up to 56 days in different circumstances. At this point you are still able to keep your house; if you can agree with your lender a repayment plan they can get the possession order changes or cancelled in court.

Whilst these proceedings can take nearly nine months from the first missed payments to the house being repossessed, you should take action immediately as the sooner you act the sooner things could be over and done with. With repossessions, some homeowners accept that no matter how much they try to adapt their budget they are unable to pay the arrears off and maintain the monthly mortgage payments afterwards. In this case, often selling the house, using the proceeds to pay off the debt and then finding somewhere smaller or cheaper is a favourable option, making life long-term easier.

I need extra help, what can I do?

If you're struggling with your health and it's preventing you from working, if you're not already you should look to see what benefits you're entitled to. While these benefits might not cover your full mortgage and living costs, it's a helping hand that could make a big difference, especially if you're able to make a deal with your lender about reducing your payments.

Specific benefits will also qualify you for SMI, Support for Mortgage Interest. Being eligible for the SMI scheme means that the Government will help you and cover your interest payments. They will pay the interest on the first £200,000 of your mortgage from when you're unable to. If you're on Pension Credit, however, they only cover the first £100,000.

How do I qualify for SMI?

For SMI support, you will need to be receiving certain benefits, such as income support, income-based employment and support allowance, income-based jobseeker's allowance, universal credit or pension credit.

This means that if you have recently lost your job due to ill health, you should sign on for as many benefits as you qualify for to get all the help you can. If you don't receive these benefits, you won't be able to claim SMI. An important thing to remember; if you're claiming universal credit and no other benefit, to qualify for SMI you'll need to have received universal credit and paid your mortgage for at least nine months.

How do I apply for SMI?

When you apply for your other income-related benefits, you will automatically be assessed to see if you're eligible for SMI. There are a few exceptions that mean you may not qualify that you should keep in mind.

If you own more than one house or have over £16,000 in savings, you won't be eligible for SMI. SMI will also stop as soon as your other benefits stop if you return to work.



What do I do if my lender doesn't believe me?

Sometimes lenders may require evidence of your vulnerability before agreeing to any change in your mortgage payments. If you're able to provide proof, it may make your life more comfortable. You can send them a few different things as proof, such as:

- A doctor's note that outlines any illness or disability that you're suffering from
- A letter outlining the benefits that you receive

Sending copies of these letters is enough to act as proof and should make your lender more sympathetic and flexible with your agreement.

I think I have mortgage insurance; can that help?

If you have Mortgage Payment Protection Insurance, also known as MPPI, then you should use it. It's a short-term solution, but it will help you get back on your feet as it will cover your full mortgage payment each month, as opposed to just the interest that SMI covers. If you have MPPI, you should claim before you apply for any Government help.

I'm eligible for SMI but I am struggling to pay the rest, what can I do?

As SMI will only pay the interest on your mortgage, you are expected to find the rest of the money yourself for your monthly payment. This can be difficult when funds are low. Luckily, you do have a few options. You can spend time assessing your budget and try to cut back on any unnecessary expenses, but sometimes that isn't enough. You can investigate switching your mortgage to an interest-only mortgage for a while until your income has increased and you're able to make your payments on your own.



How do I apply for an interest-only mortgage?

You'll need to speak to your lender and see if this is something that they would agree to. If you go with a plan – for example, you want to apply for an interest-only mortgage for six months until you've recovered and can go back to work – they are more likely to approve the switch. These mortgages are ideal if you're suffering from ill-health temporarily, and if you're waiting for an operation. If you talk to your lender and explain your recovery time and what position you'll be in after recovery, they will be more inclined to help you along the way.

Mortgage lenders are under no obligation to help you arrange your mortgage payments, and if you don't take control, you may find yourself going through the repossession process. While lenders aren't keen to repossess as it's lots of work and hassle on their part, if you're not doing what you can to resolve the issues then repossession may be their only way of getting the situation under control. By making sure that you're on top of every letter that you receive regarding your mortgage, and that you've done everything in your power to manage the arrears that you're in, your lender should see that you're prepared to take responsibility and work with you to resolve the debt.

If you don't, you run the risk of your lender going to court for a possession order. If this does happen to you, you are still able to get back on track. Make sure that you know the repossession process so you can be up to date every step of the way and not get caught out.

Sometimes, despite all your best efforts working with your lender, you cannot resolve your financial issues, and you aren't able to make your full mortgage payment. If you have hit this point, it's sometimes worth selling your house instead of going through repossession. Being repossessed will stay on your credit file for seven years and make it incredibly hard to get another mortgage or any other kind of finance. Selling your own house will often mean you get more from the sale, as lenders will usually take your house to an auction for a quick sale which won't always get you the best price.



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