



‘Mortgage prisoners’ may be able to remortgage

You may have heard the term ‘mortgage prisoners’ but not know exactly what it is. Mortgage prisoners are those who are trapped in their current mortgage deal and are unable to remortgage or move.

The Financial Conduct Authority (FCA) has estimated around 150,000 borrowers are stuck as ‘mortgage prisoners’. Some of the main reasons are:

- A change in circumstances, such as credit issues or a lower income since they bought their home.
- Not meeting the affordability rules which changed in the 2014 Mortgage Market Review
- Negative equity – which could be due to the 2007/08 financial crisis

Being stuck on your current mortgage deal can be a costly frustration. Those that come to the end of their existing deal may be moved onto a lender’s Standard Variable Rate which can be expensive, with average rates higher than many available deals. In some cases, this could be more than double the rate of interest.

There may be hope on the horizon...

After a campaign by a group of ‘mortgage prisoners’, who originally mobilised via social media, the FCA has proposed plans to help people move to a cheaper deal.

Customers who are both up-to-date with payments and looking to remortgage without additional borrowing will be given a more appropriate affordability assessment to assert whether they can afford the new loan. This will make it easier to find the right mortgage for their needs.

The FCA is also asking lenders to work with more innovative tools to help customers better identify what mortgages they may qualify for.

How did Karen and Richard become mortgage prisoners?

"Unfortunately, my work circumstances changed last year, meaning Karen and I can't pass the affordability check. If we were able to switch we could save a lot of money by having a lower interest rate."

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE