

Mortgage and landlord possession statistics quarterly

January to March 2013

Ministry of Justice
Statistics bulletin

Published: 9 May 2013

Executive Summary

Mortgage

The number of mortgage possession claims in County Courts increased from 2003 to a peak in 2008, but has fallen 60 per cent since then to 14,375 in the first quarter of 2013.

At the same time the number of claims rose, the estimated proportion of claims which have progressed to an order, warrant or repossession by county court bailiffs also increased from 2003 to around 2009 or 2010, but has fallen slightly since.

The fall in the number of mortgage possession claims since 2008 coincides with lower interest rates, a proactive approach from lenders in managing consumers in financial difficulties and other interventions from the government, such as the Mortgage Rescue Scheme.

The North West, North East, Yorkshire and Humberside, and Wales have a relatively high number of mortgage repossession claims per household, while the East, South East, London and South West have a lower number. In the first quarter of 2013, the highest region, the North West, has 80 per cent more possessions claims per household than the lowest region, the South West.

Landlord

The number of landlord possession claims in County Courts fell from 2003 to 2008, but has increased since then by 26 per cent to 42,520 in the first quarter of 2013.

The estimated proportion of claims which have progressed to an order, warrant or repossession by county court bailiffs have been increasing slightly since 2009.

Local authorities with a relatively high number of landlord claims per household were generally urban authorities or smaller unitary authorities that included a small city. Local authorities with a lower number of landlord claims per household tend to be more rural areas, or tend to be larger geographically and include a mixture of cities and more rural areas. In the first quarter of 2013, the highest region, London, has over four times as many possessions claims per household as the lowest region, the South West.

Contents	
Executive Summary	3
Introduction	5
Results	8
Mortgage possession actions	8
Landlord possession actions	12
Annex A: Description of the possession process	16
Annex B: Policy changes	18
Annex C: Methodological annex	20
Annex D: Estimating the proportion of claims that lead to orders, warrants or repossessions	24
Contact points for further information	28

Introduction

This quarterly bulletin presents the latest statistics on the numbers of mortgage and landlord possession actions in the county courts of England and Wales. The statistics provide summary figures on the volume and progression of cases that follow the court process of possessing a property.

In 2012, mortgage and landlord possession claims formed an important part (15 per cent) of the total number of claims issued in the county courts. They are also leading indicators of the number of properties to be repossessed and the only source of sub-national possession information. In addition to monitoring court workloads, the statistics in this bulletin are used to assist in the development, monitoring and evaluation of policy both nationally and locally. For example, the estimates of the proportion of claims that will lead to an order, warrant or repossession can be used to measure progress in increasing the proportion of disputes that are resolved out of court.

Court Workload

A mortgage or landlord possession action starts when a mortgage lender or landlord completes and submits a claim to the courts to repossess a property. The most common reason for repossession is arrears of mortgage or rent. The court process of possessing a property broadly follows four stages:

1. a claim being issued by a mortgage lender or a landlord;
2. an order being made by the County Court. This can either be an outright order that the property is to be recovered by a specific date, or a suspended order that is suspended as long as the defendant complies with conditions specified in the order;
3. If the defendant fails to leave the property by the date given in the order or does not meet the terms of a suspended order, the order may be enforced by a warrant of possession. This authorizes the county court bailiff to evict the defendant from the property. The bailiff then arranges a date to execute the eviction; and,
4. repossession by a County Court bailiff.

During the process, the mortgagee or tenant may leave the property on a 'voluntary' basis or the case may be struck out or set aside by the court. For more detailed information on the process of possession of property please see Annex A.

Repossessions may occur without county court bailiffs carrying out the repossession through less formal procedures so the total number of repossessions is greater than the number of repossessions carried out by county court bailiffs. Total figures for mortgage repossession are also included.

Case progression

This bulletin also contains estimates of the percentage of claims issued in a specific quarter or year that will progress to an order, warrant or repossession when the full amount of time has been allowed to pass for those claims to progress through the County Court system. These figures are different from the court workload figures described above which shows the total number of claims that led to orders, warrants or repossession by county court bailiffs in that quarter, irrespective of when the claim was issued.

These estimates include upper and lower estimates around them (a confidence interval) reflecting the uncertainty inherent in any estimation of the future. Claims from more recent periods will inherently have had less time for the case to be processed so there is more uncertainty around the final estimate, resulting in a wider confidence interval (Please see Annex D for more information on how this figure is calculated).

As supplementary information, we also provide the percentage of claims issued in a quarter or year that have already resulted in an order being made, a warrant being issued, or a repossession being carried out. Caution should be exercised when interpreting these figures for recent years. The information contained in the bulletin is based on the available data when the database was extracted; consequently a proportion of claims made in more recent quarters are still awaiting progression to the next stage of court action. Claims from earlier periods will have had longer for the case to be processed than those from more recent periods so a lower proportion of these earlier claims are likely to be still awaiting an order, warrant or repossession.

Further information

Supplementary CSV datasets are available with this bulletin that allow users to analyse the data themselves to local authority and court level. A guide to the variables included in the dataset is also provided at:

www.gov.uk/government/publications/mortgage-and-landlord-possession-statistics--2

Seasonally adjusted figures on claims and orders are presented in Annex C (Tables C1 and C2). For details of the methodology used for the seasonal adjustment please see Annex C.

The County Courts of England and Wales also process many other types of cases. The statistical bulletin “Court Statistics Quarterly” provides data on civil and family law cases dealt with in the county courts on a quarterly basis:

www.gov.uk/government/publications/court-statistics-quarterly--2

Planned changes

We are planning to make some changes to this bulletin which are outlined below. If you would like to comment on any of these proposals or if you have any other feedback or questions about this statistical bulletin, or requests for further information, please direct them to the appropriate contact provided at the end of this report.

Seasonally adjusted figures: We are planning to discontinue production of these tables, as feedback suggested limited customer use, as customers prefer the clarity of using actual figures rather than adjusted figures.

Tables 5 and 6: We are planning to discontinue production of Tables 5 and 6 which provide breakdowns at the national level of landlord possession claims and claims lead to orders by type of landlord and procedure. Instead we are planning to provide that information at the local level in the supplementary CSV. This will provide users with the local picture regarding this data and allow users to aggregate it in ways that suit their own needs. Those users who would prefer to use the tables can request them from the Ministry of Justice using the contact provided at the end of this report.

Measuring the volume of orders, warrants and repossessions:

Currently, figures are provided are claims that lead to orders, claims that lead to warrants, and claims that lead to repossessions. This counts the number of orders, warrants or repossessions that are unique to a claim, so that if one claim has two or more orders only the first is counted. We are proposing to replace those with the total number of orders, warrants and repossessions. We believe this will be simpler to understand and will be a more accurate reflection of the court workload.

Mortgage and landlord possession statistical tables (CSV): This CSV contains the same information as the main tables with some additional breakdowns between 1999 and 2007 by quarter. We are planning to discontinue production of this output. Feedback from customers suggests there is rather limited use of this output, as customers find the main tables more straightforward to understand and can find quarterly information from the other supplementary CSV, which also provide local breakdowns on a quarterly basis.

As a result of these proposed changes the possessions publication will consist of a

- bulletin describing headline results,
- supported by tables providing headline results,
- supported by CSV providing court-level and local-authority breakdowns on a wider range of variables than in the main tables,
- supported by a guide which explain how to get the most out of the CSV.

We believe this format provides the best balance between providing a clear description of the main trends in the data and allowing the greatest freedom for users to carry out analysis in areas they have a particular interest in.

Results

Mortgage Possession Actions

During the past ten years, the number of mortgage possession actions in court (claims, orders, warrants of possession, and repossession by county court bailiffs) has increased since 2003, peaked in 2008, and has fallen since then (Figure 1 and Table 1). In addition, the total number of properties repossessed (including those not repossessed by county court bailiffs) has followed a similar trend.

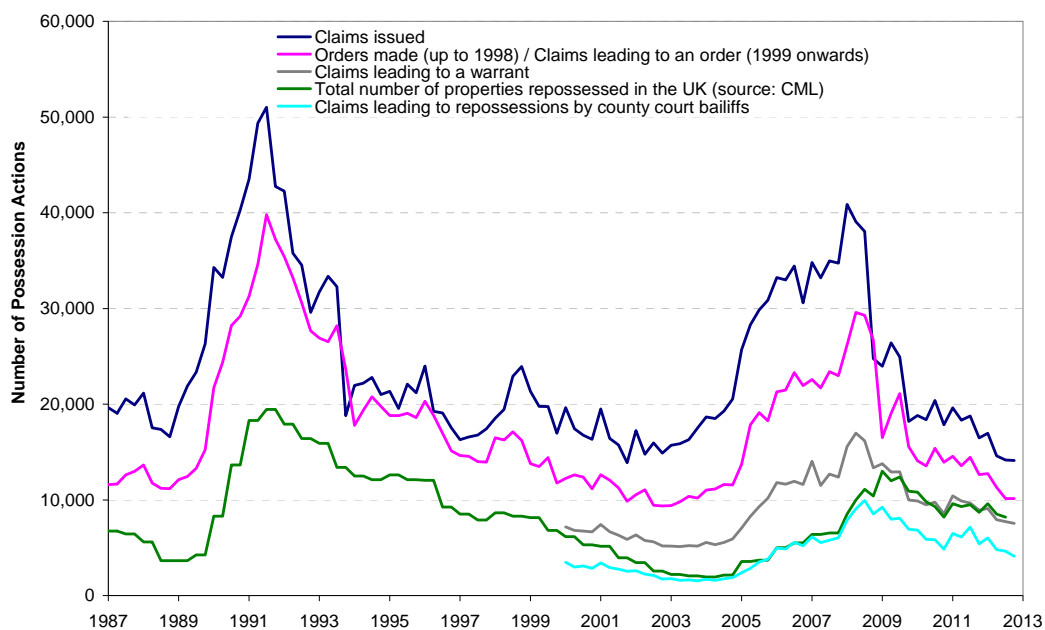
At the same time the number of claims rose, the estimated proportion of claims which have progressed to an order, warrant or repossession by county court bailiffs also rose from 2003 to around 2009 or 2010, and have fallen slightly since (Table 2). This means that the numbers of mortgagees being repossessed has fallen in recent years, both because of a falling number of claims, and because of a slight fall in the proportion of those claims that progress to a further stage in court process.

The fall in the number of mortgage possession actions since 2008 coincides with lower interest rates¹, a proactive approach from lenders in managing consumers in financial difficulties and other interventions from the government, such as the Mortgage Rescue Scheme. Other factors that may contribute to the rapid fall in the number of mortgage possession claims and claim leading to orders during the year 2008 include the introduction of the Mortgage Pre-Action Protocol (see Annex B for more information). In addition, the downward trend in recent years coincides with an decrease in the number of owner-occupiers².

¹ At the end of September 2008, the base rate set by the Bank of England was 5 per cent. By the end of March 2009 it was 0.5 per cent, where it stayed for the rest of the period covered in this bulletin.

² Please see English Housing Survey www.gov.uk/government/organisations/department-for-communities-and-local-government/series/english-housing-survey for more details

Figure 1: Mortgage possession actions in England & Wales, 1987 to 2013 Q1



Claims issued: A possession claim is created when a claimant begins a legal action for an order for possession of property by making a claim that is then issued in a county court. 14,375 were issued in the first quarter of 2013.

Local breakdown: Looking at the regional picture, the North West, North East, Yorkshire and Humberside, and Wales have a relatively high number of claims per 1,000 households (all being higher than the England and Wales average of 0.61), and the East, South East, London and South West had a relatively lower number of claims per 1,000 households. The highest region, the North West, has 80 per cent more possessions claims per household than the lowest region, the South West. Looking at the local authority level, boroughs in outer London, especially on the eastern side, had a relatively high number of claims per household. By contrast, inner city boroughs, especially on the western side, had a lower number of claims per household (Figure 2).

Orders³: The court, following a judicial hearing may grant an order for immediate possession. This entitles the claimant to apply for a warrant to have the defendant evicted, except in the case of suspended orders. There were 10,206 orders in the first quarter of 2013.

Of mortgage possession orders made, 47 per cent (4,821) were suspended. This rate has remained stable between 45 and 50 per cent since 2006.

³ Orders, warrants and repossessions by county court bailiffs are only counted once per claim, so that if two orders relate to the same claim they count as only one claim (see Annex C for details).

It is estimated that the 70.1 per cent of claims issued in 2012 will lead to an order being made in time although this figure could range between 68.8 and 71.1 per cent⁴.

Warrants of possession²: Having received an order, or if the terms of a suspended order are broken, the claimant can apply for a warrant of possession. There were 7,315 claims leading to warrants of possession in the first quarter of 2013.

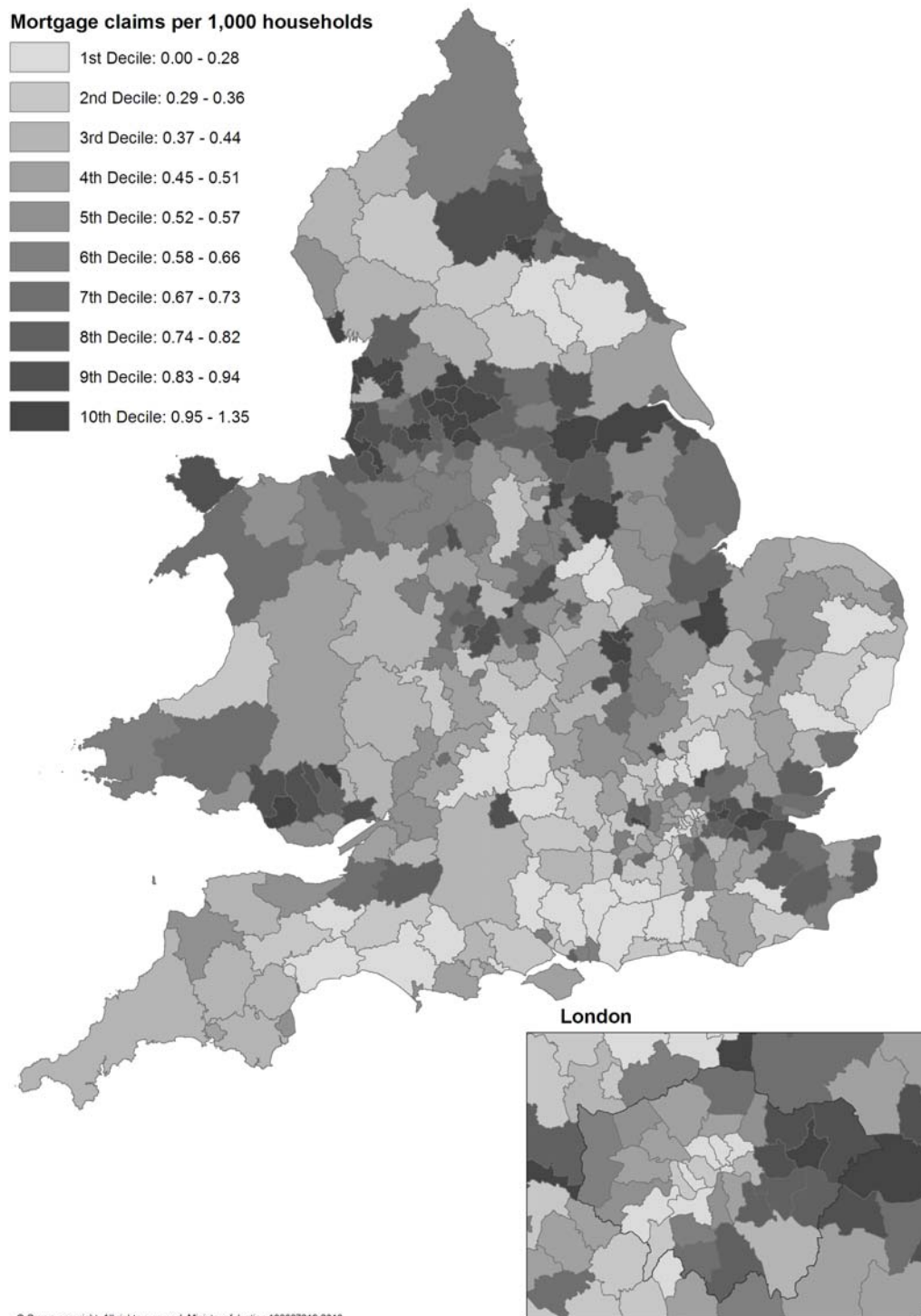
It is estimated that 39.1 per cent of claims issued in 2012 will lead to a warrant being issued in time, although this figure could range between 35.3 and 43.2 per cent³.

Repossessions by county court bailiffs²: Once a warrant has been issued, county court bailiffs can repossess the property on behalf of the claimant. There were 4,440 mortgage claims leading to repossessions by county court bailiffs in the first quarter of 2013.

It is estimated that 25.0 per cent claims issued in 2012 will lead to a repossession being carried out in time, although this figure could range between 20.7 and 30.9 per cent³.

⁴ A general description of how these estimates were carried out is contained in the Introduction and a detailed methodological description is in Annex D.

Figure 2: Map showing the geographical distribution at local authority level of mortgage claims issued per 1,000 households, 2013 Q1



Notes:

1. The number of possession claims per 1,000 households (including mortgaged and rented) are based on 2008 household estimates for England, published by the Department of Communities and Local Government, and 2010 estimates for Wales, published by the Welsh Assembly.
2. Each decile includes 10% of local authorities (based on the number of claims) in ascending order from the lowest number per 1,000 households (the 1st decile) to the highest (the 10th decile).

Actual repossessions: There were 7,700 repossessions in total in the fourth quarter of 2012⁵. This figure includes repossessions carried out by county court bailiffs, but also includes other repossessions.

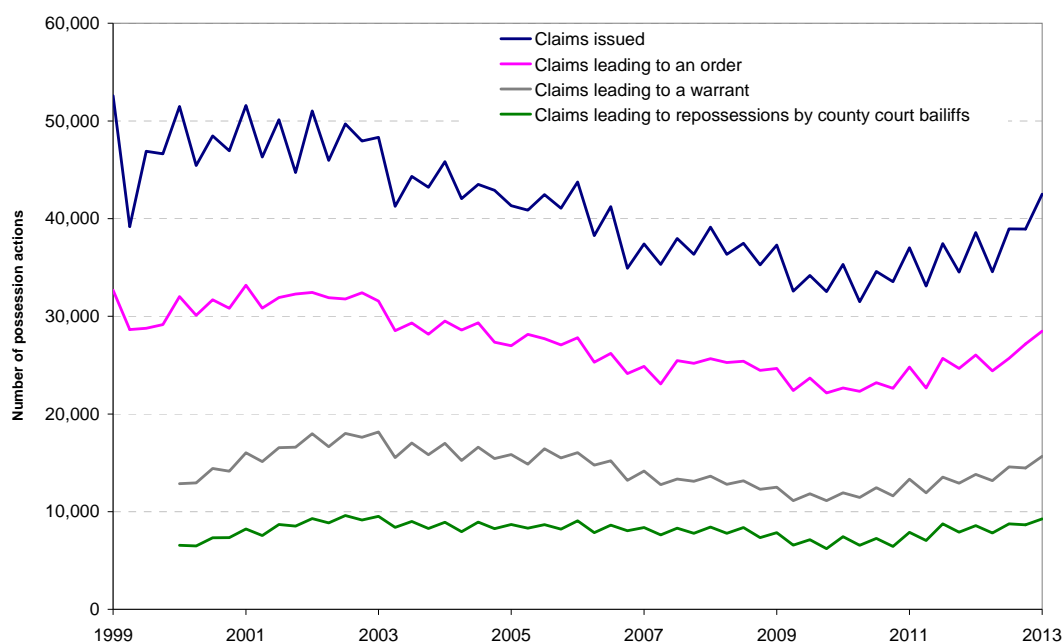
⁵ Information on actual mortgage repossessions (including repossessions not carried out by county court bailiffs) is provided by the Council of Mortgage Lenders (CML) and is presented in this bulletin with a delay of three months. Please also note this figure relates to repossessions made in the United Kingdom whereas all other statistics in this bulletin relate to England and Wales. It should also be noted that these figures are rounded by the CML to the nearest hundred. Please see the CML website www.cml.org.uk/cml/statistics for more information about these statistics.

Landlord possession actions

During the past ten years, the numbers of possession claims have decreased since 2003, reached their lowest level around 2010, and have increased since then (Figure 3 and Table 3). The upward trend in recent years coincides with an increase in the number of renters².

The estimated proportion of claims which have progressed to a further court action remained largely stable since 1999 but has been rising since 2009 (Table 4). This means that the likelihood of a tenant being repossessed since 2009 has been increasing for two reasons: because possession claims have risen and because the proportion of those claims that lead to repossession has risen slightly.

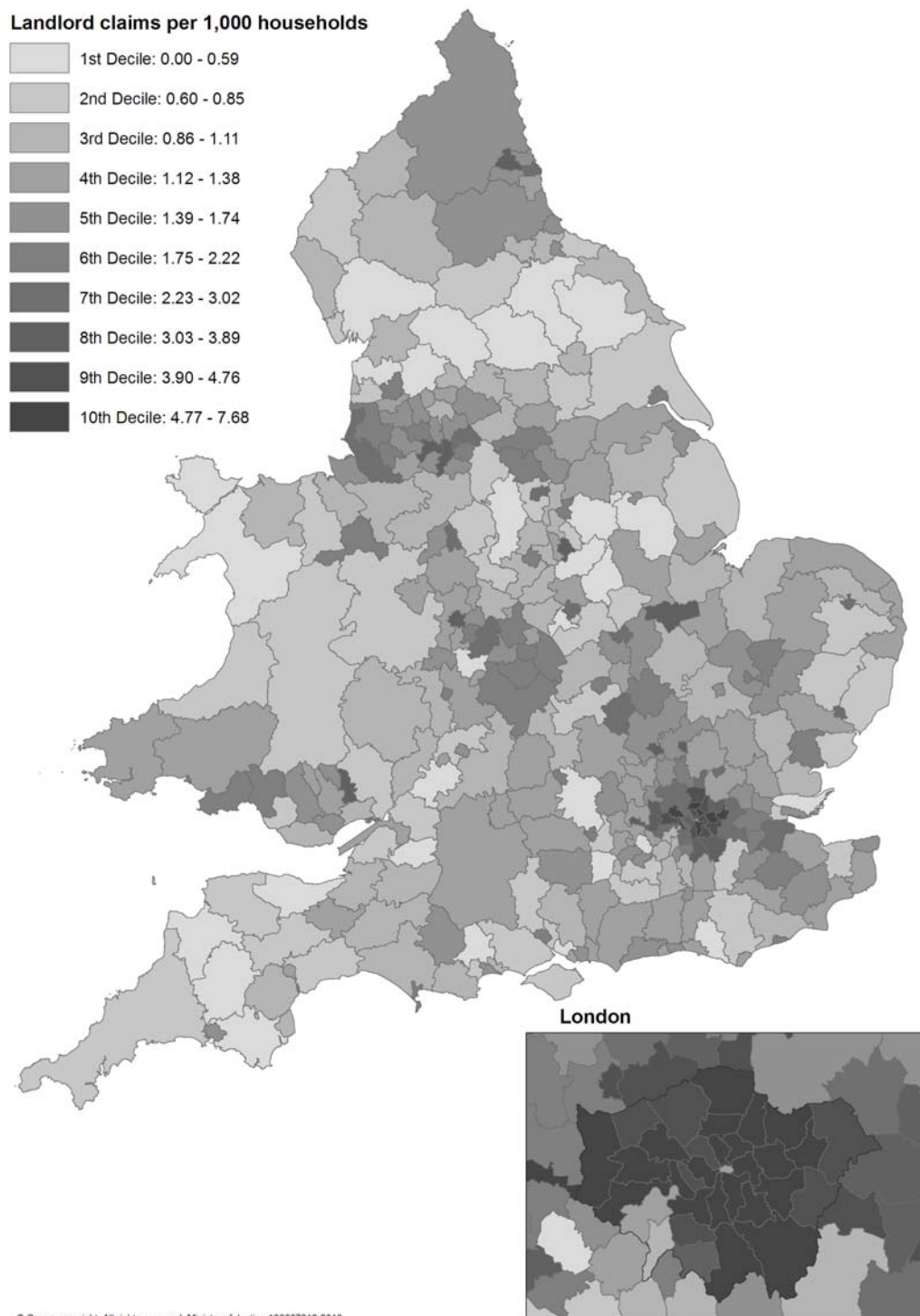
Figure 3: Number of landlord possession actions in England & Wales, 1999 to 2012 Q4



Claims issued: A possession claim is created when a claimant begins a legal action for an order for possession of property by making a claim that is then issued in a county court. 42,520 were issued in the first quarter of 2013.

Local breakdowns: Local authorities with a relatively high number of landlord claims per 1,000 households were generally urban authorities, including a number of Inner London boroughs and Metropolitan authorities (including Liverpool, Manchester and Birmingham). In addition, a number of the smaller unitary authorities that include smaller cities also experience a relatively high number of landlord claims per household, such as Peterborough, Stevenage or Nottingham. The highest levels were however found in London. Local authorities with a lower number of landlord claims per 1,000 households tend to be more rural areas, or tend to be larger geographically and include a mixture of cities and more rural areas. These include parts of Suffolk, Northamptonshire, Oxfordshire and Devon. The highest region, London, has over four times as many possessions claims per household as the lowest region, the South West (Figure 4).

Figure 4: Map showing the geographical distribution at local authority level of landlord claims issued per 1,000 households, 2012 Q4



Notes:

1. The number of landlord possession claims per 1,000 households (including mortgaged and rented) are based on 2008 household estimates for England, published by the Department of Communities and Local Government, and 2010 estimates for Wales, published by the Welsh Assembly.
2. Each decile includes 10% of local authorities (based on the number of landlord claims) in ascending order from the lowest number per 1,000 households (the 1st decile) to the highest (the 10th decile).

Orders²: The court, following a judicial hearing may grant an order for immediate possession. This entitles the claimant to apply for a warrant to have the defendant evicted, except in the case of suspended orders. There were 28,473 landlord possession claims that led to an order being made in the first quarter of 2013.

Of landlord possession claims that led to an order being made, 43 per cent were suspended. Since the second quarter of 2010 the proportion has been between 41 and 45 per cent.

It is estimated that 70.1 per cent of claims issued in 2012 will lead to an order being made in time, although this figure could range between 68.7 and 70.6 per cent³.

Warrants of possession²: Having received an order, or if the terms of a suspended order are broken, the claimant can apply for a warrant of possession. There were 15,672 claims leading to warrants of possession in the first quarter of 2013.

It is estimated that 42.3 per cent claims issued in 2012 will lead to a warrant being issued in time, although this figure could range between 39.2 and 45.3 per cent³.

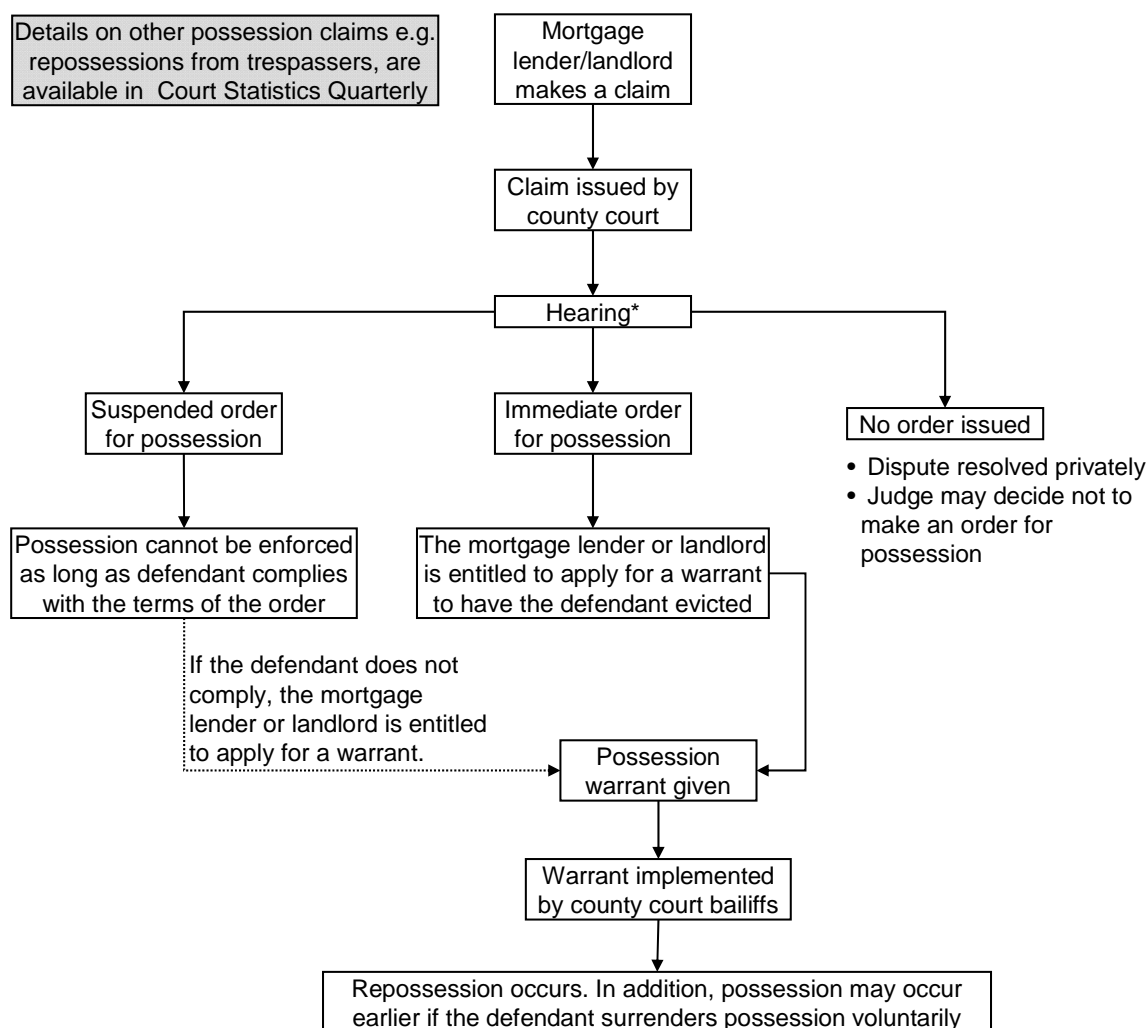
Repossessions by county court bailiffs²: Once a warrant has been issued county court bailiffs can repossess the property on behalf of the claimant. There were 9,266 mortgage claims leading to repossessions by county court bailiffs in the first quarter of 2013.

It is estimated that 26.0 per cent of claims issued in 2012 will lead to a repossession being carried out, although this figure could range between 23.8 and 29.4 per cent.

Annex A: Description of the possession process

In England and Wales the process of possessing a property by a landlord or a mortgage lender is carried out by the county courts after all other avenues have been exhausted. This section describes the court process of possessing a property in detail and Figure A1 provides a summary.

Figure A1: The court process of possessing a property



* In cases involving a fixed-term tenancy, a landlord possession may not require a hearing under the accelerated procedure

To obtain a court order granting the entitlement to take possession of a property, a claimant – a mortgage lender or a landlord – must first make a claim which is then issued by a county court. Generally, the issuing process involves the arrangement of an initial hearing before a judge. At such a hearing, a judge may:

- grant an order for outright possession of the property at a date decided by the judge;
- grant a suspended order for possession of the property; or,
- grant no order for possession (e.g. after deciding the claimant has no legal right to take possession of the property).

The suspended order for possession of the property usually requires the defendant to pay the latest mortgage or rent instalment, plus some of the arrears that have built up, within a certain defined period. As long as the defendant complies with the terms of the suspension, the possession order cannot be enforced.

More than one order may be granted during the course of an individual case. For example, it is possible that after an initial possession order is granted, the defendant may make an application to the court for the order to be varied or set aside, which could then result in another order being made.

A granted order entitles the claimant to apply for a warrant to have the defendant evicted by bailiffs, so taking possession of the property. Only then does repossession occur. Actual repossession figures (including voluntary repossessions such as where the mortgagee or tenant hands back the keys) are only available for mortgages and are compiled by the Financial Services Authority (FSA) and the Council of Mortgage Lenders (CML).

Throughout the court process, even where a warrant for possession is issued, the claimant and defendant can still negotiate a compromise arrangement to prevent eviction.

Procedures

Possession claims may be brought through standard procedure in county court. In addition, the accelerated possession procedure can be used by landlords in relation to assured shorthold tenancies, when the fixed period of tenancy has come to an end. It enables orders to be made by the court solely on the basis of written evidence and without calling the parties to a hearing.

Annex B: Policy changes

Introduction of Mortgage Pre-Action Protocol

A Mortgage Pre-Action Protocol (MPAP), approved by the Master of the Rolls, for possession claims relating to mortgage or home purchase plan arrears came into effect on 19 November 2008. The protocol applies to mortgage arrears on:

- First charge residential mortgages and home purchase plans regulated by the Financial Service Authority under the Financial Services and Market Act 2000;
- Second charge mortgages for residential property and other secured loans regulated under the Consumer Credit Act 1974 on residential property; and
- Unregulated residential mortgages.

The Protocol gives clear guidance on what the courts expect lenders and borrowers to have done prior to a claim being issued. The main aims of it were to ensure that the parties act fairly and reasonably with each other in any matters concerning the mortgage arrears, to encourage more pre action contact between lender and borrower and to enable efficient use of the court's time and resources.

The introduction of the MPAP coincided with a fall of around 50 per cent in the daily and weekly numbers of new mortgage repossession claims being issued in the courts as evidenced from administrative records. As orders are typically made (when deemed necessary by a judge) around 7 weeks (using 2011 data) after claims are issued, the downward impact on the number of mortgage possession claims leading to an order being made was seen in the first quarter of 2009.

It has not been possible to adequately quantify the long term impact of the MPAP. This reflects the lack of a good comparator (although the MPAP was not introduced in Scotland, the big lenders in Scotland also operate south of the border and so lender behaviour is likely to be the same as in England and Wales), and the existence of other factors such as changing economic conditions, other measures introduced shortly after the MPAP, and lenders desire to minimise their losses.

The large fall in mortgage possession actions may have had an impact on the quality of the seasonal adjusted figures. The purpose of seasonal adjustment is to remove the impact of seasonal effects from a time series to give a better view of the overall trend. When there is a large and sudden step change in a series, such as has been seen in the first quarter of 2008 for claims and the first quarter of 2009 for claims leading to orders, it is more difficult for seasonal adjustment methodologies to reliably separate trend from seasonal effects. To mitigate against this we have disregarded these large falls by adjusting the series to remove the estimated impact of them when attempting to identify seasonal effects. However seasonal adjustment factors are, by necessity, still being calculated using data from both before

and after the large fall. There may be differences in the scale and nature of seasonal effects between these two periods, and errors associated with estimation of the large downward shifts. These may negatively impact on the quality of the seasonal adjustments made, although this is not possible to quantify.

More details about the protocol can be viewed using the link:

www.justice.gov.uk/guidance/courts-and-tribunals/courts/procedure-rules/civil/contents/protocols/prot_mha.htm

Annex C: Methodological annex

Changes to the definition of the number of possession orders made

From the 2009 April to June bulletin, the number of possession claims that lead to an order replaced the straight count of possession orders. This measure was deemed to be more accurate, removing the double-counting of instances where a single claim leads to more than one order. It is also a more meaningful measure for the number of homeowners who are subject to court repossession actions.

Figures have been derived under the new counting basis back to 1999. Prior to 1999 the possession orders count was provided on the old basis as it could not be calculated using the new measure. More information about the new definition, including a comparison of the old and new counts can be found in the table in the bulletin for the second quarter of 2009.

More information about the new definition can be found in the following document:

- A statistical notice announcing the change following the consultation of users published on 4 August 2009:
www.justice.gov.uk/downloads/publications/statistics-and-data/civiljustice/mortgage-landlord-possession-stats-notice.pdf

We are proposing to replace those figures with totals of orders, warrants and repossessions. We believe this will be simpler to understand and will be a more accurate reflection of the court workload. We also believe that the actual number of cases where double-counting occurs form a relatively small proportion of cases, and do not justify the additional complexity of the measure.

National Statistics

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and,
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

Revisions

The figures for the latest quarter are provisional, and are therefore liable to revision to take account of any late amendments to the administrative databases from which these statistics are sourced. The standard process for revising the published statistics to account for these late amendments is as follows. An initial revision to the statistics for the latest quarter may be made when the next edition of this bulletin is published. Final figures for this quarter, and for other quarters in the same calendar year, will be published when statistics for the first quarter of the following year are initially released.

Further breakdowns available on request

Local authority statistics are presented in this bulletin, with Westminster Parliamentary Constituency and Ward level statistics for 2011 were published on 8th March 2012. Quarterly possession court actions data are available on request for the following geographies:

- Government Office Regions;
- Westminster Parliamentary Constituencies (prior to 2011);
- Urban and Rural classifications; and,
- Outbound Postcodes (e.g. SW1H).

Annual data (prior to 2011) are also available. Data for other geographical areas are not currently available.

Confidentiality

In order to protect the confidentiality of personal and corporate information, the Ministry of Justice operates a disclosure control policy when responding to requests for these sub-national statistics. Counts of less than 5, including zero, are suppressed. Percentage changes between two periods are not provided where there are less than 30 cases in the earlier period. Figures for time periods other than calendar quarters and annual totals will not be provided.

Seasonal adjustment

Seasonally adjusted figures are provided as well as non-seasonally adjusted information, to provide a clearer picture of the underlying behaviour of the data series after removal of seasonal or other calendar influences. The seasonal adjustment models are implemented using the software package X12 ARIMA, the standard tool used for this purpose in government statistics. These figures are provided in Tables C1 and C2.

The two sets of figures serve distinctly different purposes. In broad terms, the unadjusted figures are the count of the actual number of possession actions in a given period, while the seasonally-adjusted figures give a better and more meaningful picture of changes over time.

For the next publication, we are planning to discontinue the production of these statistics. This is because feedback from customers suggests they are little used, because customers prefer the clarity of using actual figures rather than adjusted figures.

Production process and quality assurance procedures

The statistics on county court possession actions relating to 1999 onwards have been produced using the Ministry's Management Information System (MIS). This is a data warehousing facility drawing data directly from the main administrative system in the county courts, CaseMan, and Possession Claim OnLine (PCOL). PCOL was launched in October 2006 to enable claimants to make possession claims via the internet. Court staff are required to use these systems to record summary details in managing these cases, and they obtain benefits from doing so as for instance the systems make the process of drawing a court order relatively quick and easy. The systems therefore contain accurate and complete details of the incidence and dates of all new claims and orders made in these claims. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same event in a case, and checks that the latest data are consistent with previously obtained data for each county court. The statistics prior to 1999 are manual counts supplied by the county courts each month and are consequently less robust.

Other sources of statistics

The numbers of actual repossessions (including where there is no action by county court bailiffs) are produced by the Financial Services Authority (FSA) and the Council of Mortgage Lenders (CML). The statistics shown for "properties taken into possession" in Figure 1 and Table 1 are published figures from the CML, which is an industry body representing around 94 per cent of the UK residential lending industry. It should be noted that:

- The Ministry statistics on court actions cover England and Wales only. CML statistics cover the whole of the UK.
- CML statistics on actual possessions include properties surrendered voluntarily.
- Given the time lags involved, some of the court orders for the possessions shown by CML may have been granted in earlier time periods.
- Mortgage possessions counted in the CML statistics mainly relate to the non-repayment of loans which are secured as a "first charge" against the property. The large majority of "second charge" lending (any loan secured on a property where a separate first charge loan already exists) falls outside the CML's membership, therefore any resulting repossessions will not be counted in their figures.

More details about the differences between mortgage possession data published by the Ministry (in this bulletin), the CML and the Financial Services Authority can be viewed at the link:

www.justice.gov.uk/downloads/publications/statistics-and-data/civiljustice/mortgage-lending-stats-note.pdf

A [comprehensive review](#) of statistics relating to the housing market has been published by the Office for National Statistics.

Symbols and conventions

The following symbols have been used throughout the tables in this bulletin:

(p) = Provisional data

(r) = Revised data

Annex D: Estimating the proportion of claims that lead to orders, warrants or repossessions

Introduction

The approach used in this bulletin is to track how claims turned into orders, warrants and repossessions over time. For example, using data between 1999 and 2010, the number of mortgage orders made within six months of the claims being issued was found to be around 10 per cent more than the number of mortgage orders within three months of the claim being issued, and the number of mortgage orders made within 12 months of the claim being issued was around six per cent more than the number of mortgage orders made within six months of the claims being issued, and so on. By tracking the number of orders, warrants and repossessions derived from a cohort of claims at different periods of time after the claims have been issued, the typical increase in the number of orders, warrants and repossessions can be estimated.

With this information, it is possible to use the number of orders, warrants and repossessions that occurred a few months after a cohort of claims to estimate the final number of orders, warrants and repossessions derived from that cohort of claims.

It is useful to estimate the proportion of claims that lead to orders, warrants or repossessions for two reasons:

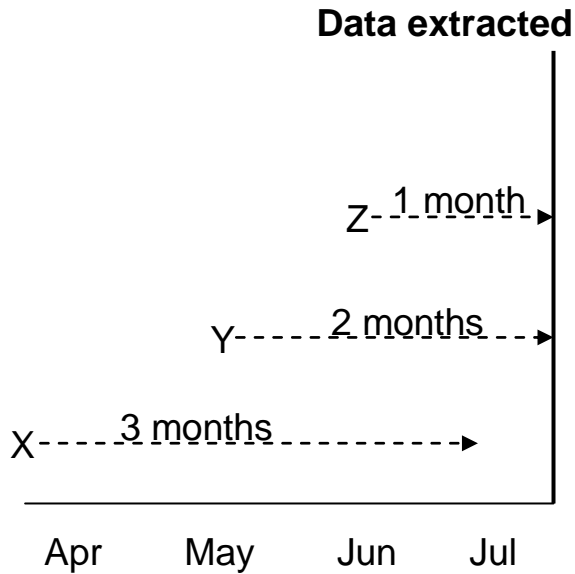
- If the proportion changes over time this can have an important impact on the workload of the county courts and enables the number of orders, warrants and repossessions that a specific quarter of possession claims will cause, to be forecast months and even years in advance.
- The proportion of claims that lead to orders, warrants and repossessions is an important indicator of how successful parties are being in resolving issues of debt relating to mortgage and landlord outside of the court-room process.

Timing of the data extraction

An additional factor to take account of is that the data must be extracted from the database. Extraction is done on a quarterly basis to support the production of this bulletin. When the data is downloaded the full amount of time may not be available for claims to lead to orders, warrants and repossessions, which distorts downwards the number of orders, warrants and repossessions the cohort of claims appears to have generated.

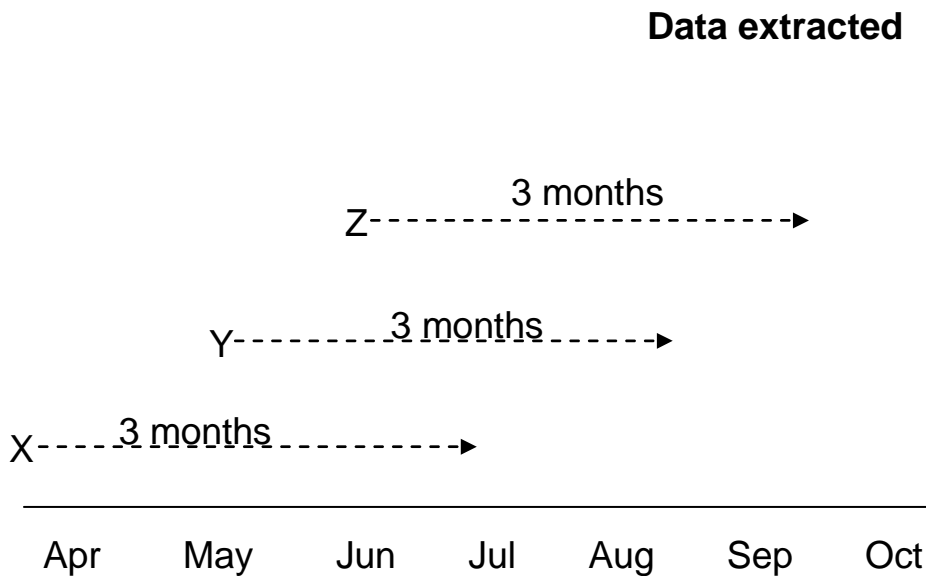
To illustrate how this happens, Figure D1 below shows the actual time available for claims from Q2 2012 to lead to orders. Claim X occurs in the beginning of April, claim Y occurs at the beginning of May, and claims Z occurs at the beginning of June. Formally, the claims are being given three months to lead to orders, but because data extraction occurs in mid-July, only claim X actually has three months to lead to an order before data extraction.

Figure D1: Time for Q2 claims to lead to orders with a July data extraction



The publication for the next quarter uses a data extraction that is three months' later. Figure D2 shows that this allows every claim the full three months to lead to orders.

Figure D2: Time for Q2 claims to lead to orders with an October data extraction



This means that an adjustment was needed to account for the date of database extraction. To do this, the number of orders, warrants and repossessions made using the earliest data extraction possible was compared to the number of orders, warrants and repossessions using later data extractions. This was done for results from several different quarters. These results provided an estimate both of the average adjustment required and also of the variance in the adjustment.

Final estimation

The analysis above provides us with an estimate of the average increase in the number of orders, warrants, and repossessions between 3 months and 6 months following a claim, between 6 months and 12 months following a claim, between 12 and 18 months following a claim, and so on. To get the final estimate simply requires multiplying all these increases together with the number of orders arising from claims in the quarter of interest, plus an adjustment to take into account when the extract from the database occurred.

It is also possible to calculate a confidence interval around that estimate by exploiting the quarterly variance around the average increase. For example, the number of orders made within six months of claims issued in Q1 1999 was 11.4% higher than the number of orders made within three months of claims issued in Q1 1999. The number of orders made within six months of claims issued in Q2 1999 was 9.8% higher than the number of orders made within three months of claims issued in Q2 1999. The number of orders made within six months of claims issued in Q4 1999 was 12.3% higher than the number of orders made within three months of claims issued in Q4 1999 and so on. Looking over the time period as a whole the quarterly variation in the rate of increase in the number of orders makes it possible to create standard deviations in the rate of increase.

Simulation used the average and standard deviation of each increase to create a normal distribution of the increase at each stage. Each iteration drew randomly from this normal distribution. For the database adjustment, because there were a limited number of cases available to estimate the adjustment, the actual values were drawn from randomly, rather than a distribution.

This estimated final number of orders, warrants and repossessions can then be divided by the number of claims in Q3 2012 to get an estimated proportion of claims in that quarter that will lead to orders, warrants and repossessions. Using 1,000 iterations of the simulation, the median of this distribution is used as the expected proportion of claims that lead to orders, warrants and repossessions and each of those proportions can be surrounded by a 95 per cent confidence interval by taking values at the extreme ends of this distribution.

Comparison

The method previously used to estimate the proportion of claims that lead to orders was to take the total number of orders and divide it by the total number of claims issued eight weeks earlier (eight weeks being the median time for a claim to be converted into an order). There is some variation around that median. There is even wider variation around the median time between claim and warrant, and claim and repossessions, which means that this approach would not be appropriate to estimate the proportion of claims that lead to warrants or the proportion of claims that lead to repossessions. For this reason, a different methodology has been devised which can be used to estimate proportion of claims that lead to orders, warrants and repossessions.

The results of the new approach have been compared to those of the previous method for calculating the proportion of claims that lead to orders. For Q3 2012, the previous method estimated that 72 per cent of mortgage-related claims led to an order, and 69 per cent of landlord-related claims did so. The new approach also estimated that 72 per cent of mortgage-related claims led to an order, and 71 per cent of landlord-related claims did so. The two methods result in a similar estimate. However, the new method can be applied to warrants and repossessions in addition to orders.

Contact points for further information

Current and previous editions of this publication are available for download at

www.gov.uk/government/publications/mortgage-and-landlord-possession-statistics--2

www.gov.uk/government/publications/mortgage-and-landlord-possession-statistics-earlier-editions-in-the-series

Press enquiries should be directed to the Ministry of Justice press office:

Peter Morris

Tel: 020 3334 3531

Email: peter.morris@justice.gsi.gov.uk

Queries on the wider policy implications of these statistics should be directed to the Department for Communities and Local Government's press office:

Sarah Southerton

Tel: 0303 444 1201

Email: Sarah.Southerton@communities.gsi.gov.uk

Queries on statistics shown for 'Properties taken into possession' and other related statistics should be directed to the Council of Mortgage Lenders' press office on 020 7438 8922

Other enquiries about these statistics should be directed to:

Justice Statistics Analytical Services

Ministry of Justice

7th Floor

102 Petty France

London SW1H 9AJ

Tel: 020 3334 3737

Email: statistics.enquires@justice.gsi.gov.uk

Other National Statistics publications, and general information about the official statistics system of the UK, are available from www.statistics.gov.uk

© Crown copyright
Produced by the Ministry of Justice

Alternative formats are available on request from
statistics.enquiries@justice.gsi.gov.uk