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Support for Mortgage Interest Loans: Take-up

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Voluntary statement of compliance with the Code of Practice for Statistics

The Code of Practice for Statistics (the Code) is built around 3 main concepts, or pillars, trustworthiness, quality and value:

- trustworthiness – is about having confidence in the people and organisations that publish statistics
- quality – is about using data and methods that produce assured statistics
- value – is about publishing statistics that support society's needs for information

The following explains how we have applied the pillars of the Code in a proportionate way.

Trustworthiness

The data used in this report is based upon surveys conducted with claimants eligible for Support for Mortgage Interest loan. These contacts were provided by DWP and all interviewers requested to speak to the named contact. As the contractor, the design, delivery, and analysis has been carried out impartially and is compliant with the Market Research Society Code of Conduct and data protection regulation.

Quality

The data collected has been through multiple quality controls. Firstly, team members listened to a selection of interviews to ensure interviewers were following both the questionnaire and data protection regulation, as well as ensuring they were recording responses correctly. The data has also been cleaned following completion of the interview and the data tables produced have been reviewed and quality-controlled by multiple members of the project team. Analysis has been conducted to cover the research objectives developed by DWP.

Value

This data looks specifically why eligible claimants have not taken SMI loan and the potential consequences on their financial situation. This will help to inform communications going forward on SMI loan and assess the need from claimants for the loan. Furthermore, it helps to contextualise why take-up is lower than anticipated and whether this is to do with the conversion of SMI from a benefit to a loan.

Executive summary

Introduction

Government support for home owners through Support for Mortgage Interest (SMI) changed from a benefit to a loan in April 2018. This report looks at why take up of the loan has been lower than anticipated. In particular, the research was interested to find out why people who were eligible for the loan did not take it up, and how they are managing without that support. It also analyses the financial situation of people who have not taken the loan up to see how financially resilient they are to manage a financial shock.

A note on the sample

The sample comprised individuals who were eligible for an SMI loan but had not taken it up at the time of drawing the sample (in February 2020), and includes those who had previously received the SMI benefit – referred to as 'stock' throughout this report, and those who had not – referred to as 'flow' throughout this report.

Given that fieldwork was delayed until August as a result of the pandemic, the sample includes a small number of individuals (8) who have since taken up or applied for the loan, and a proportion of individuals who are no longer eligible for SMI as a loan because they have paid off their mortgage.

It is also possible that the eligibility status of some respondents may have changed since the sample was drawn, for example those who have since moved into paid employment, or those who have moved off benefits. While we would expect this to be a small proportion, it is not possible to assess the extent to which this is the case.

Overview of findings

The findings suggest that SMI loans are helping those most in need as those in more financial difficulty are more likely to say they will take out a loan. A quarter (24%) of those eligible for an SMI loan who have not already taken one up say they would be likely to take one out in future, including 10% who say they would be very likely to do so. Those that are in more financial difficulty, who represent approximately 20% of all eligible non-recipients (i.e. those who were eligible for a SMI loan, but who declined the opportunity), are more likely to say they would take one out in future. Just over half of all respondents (52%) say they are not at all likely to take an SMI loan in the future, and overall close to three quarters say they would be unlikely to do so (72%).

'Flow' individuals are over twice as likely as 'stock' individuals to be 'very likely' to take up SMI as a loan (18% cf. 8%).

Qualitative research with mortgage lenders also highlighted that the change from a benefit to a loan has led to a change in the profile of SMI claimants and that it may now be better targeted. Their view was that previously many SMI benefit recipients were in receipt of Pension Credit, and viewed the SMI benefit as a 'nice to have' rather than a necessity, whereas current SMI loan claimants are in real financial need, and genuinely struggling to cover their mortgage payments.

> “When it was a benefit, a lot were claiming Pension Credit and it was a nice to have rather than need to have. When they chose not to take the loan it didn't impact many and there was no sudden spike in arrears because of it.”
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> (Lender with 100-500 employees, over £1 billion in assets)
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> “I think in terms of the customers who want it now, they absolutely need it, so we're certainly seeing that.”
>
> (Lender with over 10,000 thousand employees over £500 billion in assets)

The main reasons for being unlikely to take up an SMI loan relate to an unwillingness to take out a loan, and a reluctance to add an additional charge to the property, although, reflecting the qualitative findings above, one in five report being able to afford their mortgage payments without the SMI loan.

Four in five respondents say their source of payment has not changed over the past two years, and a similar proportion agree that they will be able to continue to use this method to pay their mortgage for the next year, including half who strongly agree, suggesting repayment methods are perceived as sustainable by the majority of respondents.

However, while three in five agree, a third disagree that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense, suggesting that this sustainability is fragile for some.

Forty per cent of those who recall receiving the benefit took no action when it stopped being paid to their lender. In the cases of those who took action when it stopped being paid, the main actions taken were to reduce spending (28%), to borrow from friends and family (15%), or to renegotiate their mortgage (7%).

Awareness of SMI as a loan is high, with most of those eligible for it having heard of it prior to the survey (76%) and most of these knowing about it for over a year (80% of those aware of SMI). Understanding is also high: of those who are aware of SMI as a loan, the majority (84%) have some understanding of it.

In terms of policy impacts, the research has improved our understanding of why people turned down the loan offer, however, there are no findings in the report that indicate a need for major changes to the current policy approach.

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Acknowledgements

This piece of research was commissioned by DWP in Summer 2019, with the qualitative study taking place in Autumn 2019 and the quantitative fieldwork in Summer 2020.

We would like to thank the contribution and assistance of DWP staff in this research, particularly given the ongoing COVID-19 pandemic and their commitment to deliver this project.

We would also like to thank all those who volunteered their time to participate in the research.

Abbreviations

Please find a list of the abbreviations referenced in this report.

Abbreviation	**Full form**
Cf.	Compare with
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
IS	Income Support
JSA	Job Seeker's Allowance
PC	Pension Credit
SMI	Support for Mortgage Interest
UC	Universal Credit

Summary

Overview

Support for Mortgage Interest (SMI) loans provide support for homeowners who qualify for an income related benefit and are unable to meet their mortgage repayments, due to illness, unemployment, a personal crisis, or other income shock. SMI loans aim to prevent repossession by contributing towards mortgage interest payments. Initially provided as a benefit, from April 2018 SMI as a benefit changed to a loan repayable upon sale of the property. SMI benefit claimants were offered the loan in the run up to and following implementation of the conversion to a loan. However, far fewer claimants than expected have taken up the SMI loan. As of June 2021, around 20% of eligible claimants have either accepted or indicated that they intend to accept the offer of loan.

This report explores why take up of the loan has been lower than anticipated. The research therefore examines why people who were eligible for the loan did not take it up, and how they are managing without that support. It also analyses the financial situation of people who have not taken the loan up to see how financially resilient they are to manage a financial shock. This report also investigates how lenders have responded to the change.

Methodology

The research took place in Summer 2020 and involved 700 telephone interviews with individuals who were eligible for an SMI loan at the time of drawing the sample (February 2020) but had not taken it, including 582 who had previously been in receipt of the SMI benefit ('stock' respondents), and 118 who had become eligible for SMI since it transitioned to the SMI loan ('flow' respondents). Additionally, the research addressed a wider objective to see how lenders have responded to the change to a loan, and this was conducted through several in-depth interviews with lenders.

The overarching research objective is to understand why take-up of SMI loans has been lower than expected and what actions, if any, have those who have not taken the loan taken instead. This breaks down into the subsequent research objectives:

- How former claimants and those newly eligible for the loan are meeting their mortgage payments.
- Whether they are in mortgage arrears and/or under threat of repossession.
- Reasons for declining the SMI loan.
- Likelihood of taking up a SMI loan in the future.

- What actions have been taken in response to the end of SMI benefit (e.g. moving home, downsizing, taking in a lodger, changing employment status, postponing retirement).
- Awareness and understanding of SMI loan offer, including how communications could be improved.

Key Findings

Take-up of SMI as a loan
A quarter (24%) of those eligible for an SMI loan who have not already taken one up say they would be likely to take one out in future, including 10% who say they would be very likely to do so. However, close to three quarters (72%) say they would be unlikely to take up an SMI loan.

Close to a fifth of those who were unaware of SMI as a loan before the survey, or who did not remember the offer, are very likely to consider taking it in the future (17% in both instances). This suggests that awareness is a barrier for a minority, and that additional communications might increase take-up among this group.

Those who are less financially secure are significantly more likely to consider taking an SMI loan in the future. These include those unable to keep up their current method of mortgage payments for the next year (33%), those not managing well pre-COVID 19 (25%), those who are or have been in arrears in the past two years (22%). This suggests that SMI loans are helping those most in need.

This view was also shared by mortgage lenders in the qualitative interviews. Lenders believed that the change from a benefit to a loan has led to a change in the profile of SMI claimants. Their view was that previously many SMI benefit recipients were largely in receipt of Pension Credit and viewed the SMI benefit as a ‘nice to have’ rather than a necessity. In contrast, current SMI loan claimants were seen to be in real financial need. This could indicate that the DWP support available through SMI has become better targeted.

Loan related issues are the greatest barrier to claimants taking out an SMI loan. More than a third of respondents (36%) do not wish to take out a loan, and 16% are reluctant to add an additional charge to their property. Other loan related issues include: not willing to take a loan from the Government (6%), sentiment that it should be interest free (5%), and difficulty repaying the loan (2%).

Financial situation
A large proportion (71%) of respondents report using benefits to keep up with their mortgage repayments, while one in five (17%) report using help from friends and family, and one in ten (13%) their wages/salary.

Those in receipt of Pension Credit are particularly likely to report using benefits (81%). It should be noted however, that those on Pension Credit have the lowest monthly repayments (30% under £100 per month) and are also least likely to work, which may explain why they are most likely to manage repayment from their benefit. In contrast, those in receipt of Universal Credit are less likely (54%) to report using benefits and instead are more likely to report using their wages/salary (23%). It is possible that the group using wages/salary for repayment have experienced a change in circumstances, e.g., entered work, since the sample was drawn. This small group of claimants would, therefore, no longer be eligible for an SMI loan.

Just under a fifth of respondents (17%) are currently in arrears or have been in the past two years, rising to 32% of those in receipt of JSA and 24% of Employment Support Allowance (ESA) claimants. A similar proportion of respondents (14%) have missed mortgage payments in the last two years, rising to 19% of those receiving ESA and 20% of those receiving Universal Credit. Around a third stated that they were in arrears due to a general reduction in household income. However, around one in six (16%) reported that this was due to the loss of the SMI benefit, and their decision not to take up the SMI loan.

A quarter of participants reported that their personal finances had got worse since the start of Covid-19. This was a result of a general increase in spending e.g., higher bills and a reduction in working hours.

Effect of the loss of the SMI benefit
Among respondents, 86% said they had previously received the SMI benefit. However, this may be an underestimate because, as is the case for SMI as a loan, the SMI benefit was paid automatically to the mortgage provider, and so claimants may not be aware that they previously received SMI benefit payments.

Of those who recall receiving the benefit (59%), over half (57%) say losing it has affected their ability to keep up with mortgage payments, including 25% who say it has affected them a lot. Those who are more financially insecure are particularly likely to report being impacted, e.g. four in five (81%) of those who are currently or have been in arrears in the past two years.

Overall, 40% of those who recall receiving the benefit took no action when it stopped being paid to their lender, and this increases to 59% amongst those who say they were not impacted by the change. By contrast, among those whose ability to keep up with mortgage payments was affected by the loss of the SMI benefit, four in five (80%) took some action when it stopped being paid to their lenders. The main actions taken were to reduce spending (28%), to borrow from friends and family (15%), or to renegotiate their mortgage (7%). Other actions were taken by 2% or less.

Awareness of SMI as a loan
Awareness of SMI as a loan is high, with most of those eligible for it having heard of it prior to the survey (76%) and most of these knowing about it for over a year (80% of those aware of SMI). Recall of communications about the change to a loan is also high (73%), and while the majority (76% of those who recall SMI communications) felt informed by them, this means that a quarter (27%) of eligible non-recipients do not recall the offer, which could suggest it should be offered again.

Understanding of the SMI loan
Of those who are aware of SMI as a loan, the majority (84%) have some understanding of it. When asked what they know about it, the most common responses are that it helps with mortgage repayments (42%), and it is a loan (39%).

Respondents showed some knowledge about the loan repayments, with 19% knowing repayment is made upon the sale of the property and 13% understanding interest is to be paid with the loan repayment. One in ten (10%) mentioned that it was previously a benefit, and one in twenty (6%) that the amount given has been reduced (although this was not in fact the case).

While very few mentioned the 9 month waiting period, this was a key issue identified by lenders in the qualitative phase, with several highlighting this as a significant barrier, and some suggesting that shortening the waiting period would better meet the needs of those who urgently require support to cover their mortgage interest. Communication with lenders during this waiting period was also criticised, in particular the lack of clarity on whether the claimant would be eligible after the waiting period made advising their customers more difficult.

Policy Impacts

In response to early findings from the research, policy officials updated Gov.uk, and informed lenders through a targeted newsletter, that claimants who had previously turned down the loan could take it up the loan offer at any time and backdate to the first date of eligibility if their circumstances had not changed. The research has improved our understanding of why people turned down the loan offer, however, there are no findings in the report that indicate a need for major changes to the current policy approach.

Background and methodology

This section will cover the background and methodology of the research, including the context, research objectives, and how the survey was undertaken.

Research Background

Context

The Support for Mortgage Interest (SMI) Loan offers financial support to mortgage holders in receipt of certain income-related benefits (ESA, IS, JSA, PC, UC). By contributing to their mortgage interest payments, SMI's purpose is to provide protection against the threat of repossession. Previously, SMI was a benefit given automatically to all those entitled. However, in April 2018, SMI benefit was converted to SMI Loan and payments were made directly to the mortgage provider, not to the claimant. This loan is repayable from any remaining equity upon sale or transfer of the property or after the claimant has died. The amount of SMI payable as a loan is unchanged from when it was a benefit, and the current rate of interest charged on the loan is 0.3%.

All SMI benefit recipients were offered the loan in the build up to its conversion from a benefit. However, analysis of the conversion of SMI from a benefit to a loan found that take-up was lower than anticipated with around 20% of eligible claimants doing so. Following this, the Department for Work and Pensions (DWP) wants to understand why people turned down the loan and how they are managing without it. Those who became eligible since SMI became a loan although not taken it have also been included in the research.

Research Objectives

The overarching research objective is to understand why take-up of SMI has been lower than expected and what actions, if any, have those who have not taken the loan taken instead.

This breaks down into the subsequent research objectives:

- How former claimants and those newly eligible for the loan are meeting their mortgage payments.
- Whether they are in mortgage arrears and/or under threat of repossession.
- Reasons for declining SMI loan.
- Likelihood of taking up SMI loan in the future.

- What actions have been taken in response to the end of SMI benefit (e.g. moving home, downsizing, taking in a lodger, changing employment status, postponing retirement).
- Awareness and understanding of SMI loan offer, including how communications could be improved.

The research also sought to understand how lenders have responded to the policy change. This was addressed through a separate piece of qualitative research, in which in-depth interviews were conducted with several lenders. A summary of this research is also included in the main findings of this report.

Methodology

The fieldwork consisted of 700 telephone interviews with individuals who were eligible for an SMI loan when the sample was drawn in February 2020 but had not taken it, including 582 who were previously in receipt of the SMI benefit ('stock' respondents), and 118 who had become eligible for SMI since it transitioned to the SMI loan ('flow' respondents). In total, there are 94,000 individuals to whom this applies. To provide the research sample, DWP drew just under 5,000 records randomly from the 94,000, and these formed the basis of the telephone interview sample.

The fieldwork took place over the course of one month between 17th August – 17th September 2020. The sample frame for the survey was drawn by DWP on 17th June 2020. While it is possible that the increase in Universal Credit recipients as a result of the Covid-19 pandemic may have had an impact on the sample composition, it is not possible to assess the extent to which this is the case.

Quotas were applied to the sample for the majority of fieldwork to ensure perceptions were captured from a range of eligible claimants. Following this application of quotas, the final dataset was representative enough not to require weighting.

A more detailed methodology and the full response rate breakdown can be found in the appendices.

Research findings

Research findings are presented in three sections: take-up of SMI as a loan, the financial position of respondents, and perceptions of SMI as a loan. Take-up of SMI as a loan focuses on likely future take-up and reasons for this. Financial position is a broader discussion covering financial risk, sustainability of mortgage repayments, the impact of the loss of the SMI as a benefit, and perceptions of financial situations both pre and post COVID-19. Perceptions of SMI considers levels of awareness and understanding of SMI as a loan, and recall of communications around the SMI loan offer. Responses given to the financial position questions, along with profiling questions included in the survey, have been used to analyse the data by key groups and provide greater insight.

The report also considers differences between respondents who previously received SMI as a benefit (‘stock’) and those who became eligible since it transitioned to a loan in April 2018 (‘flow’). When considering these differences, it is important to bear in mind variations in the demographic profile of these groups. As shown in the table below, ‘stock’ respondents tend to be older, to live in one-person households, to be in receipt of Employment and Support Allowance (ESA) or Pension Credit (PC) and to have interest-only mortgages. In contrast, ‘flow’ respondents tend to be younger, to have children in the household, to be in receipt of Universal Credit (UC), and to have repayment mortgages.

Table 1: Differences between ‘stock’ and ‘flow’ respondents (sample bases in brackets)

	‘Stock’	‘Flow’
One person household	**38%**	26%
With children	21%	**51%**
Aged under 49	22%	**48%**
Aged 50 to 69	51%	51%
Aged 70+	**32%**	1%
Receive ESA	**41%**	8%
Receive PC	**40%**	2%
Receive UC	<0.5%	**77%**
Interest only mortgage	**38%**	26%
Repayment mortgage	51	**67%**
Sample base	(582)	(118)

Figures in bold indicate statistically significant differences at the 95% level of confidence

1. Take-up of the SMI loan

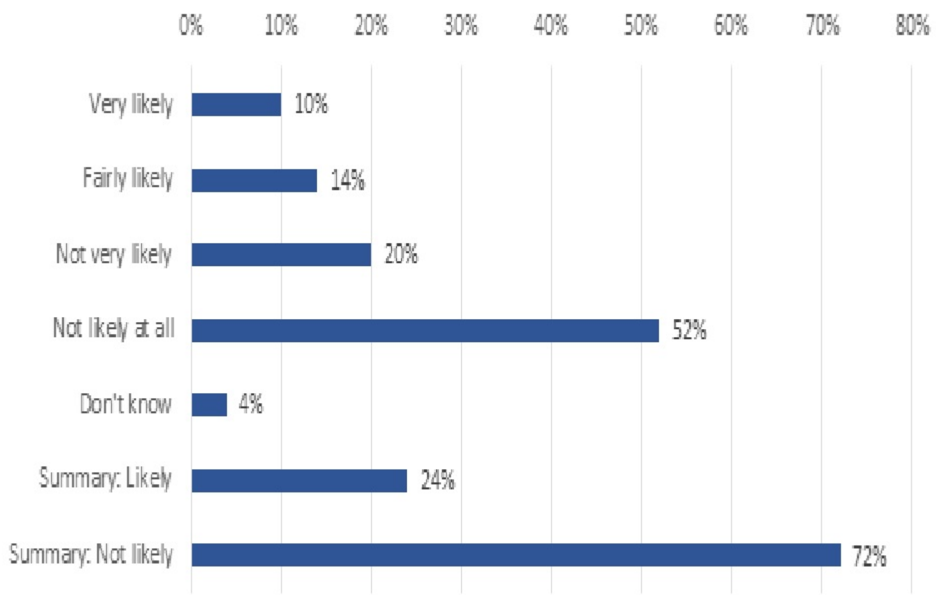
1.1 Introduction

Given the overarching objective of the research is to understand why take-up of SMI has been lower than expected this first section explores the likelihood of those who are eligible taking up an SMI loan, and their reasons for being unlikely to do so.

1.2 Likelihood of taking an SMI loan in future

A quarter (24%) of those eligible for an SMI loan who have not already taken one up say they would be likely to take one out in future, including 10% who say they would be very likely to do so. Just over half (52%) say they are not at all likely to take an SMI loan in the future based on the information they currently have, and overall close to three quarters say they would be unlikely to do so (72%).

Figure 1: Likelihood of taking an SMI loan in future (sample base: 692)



Focusing on those who indicate that they are ‘very likely’ to take up an SMI loan as a closer proxy for those who might actually do so, it is of interest to note that ‘flow’ respondents are over twice as likely as ’stock’ respondents to be ‘very likely’ to take up SMI as a loan (18% cf. 8%). Reflecting this, those claiming Universal Credit, who are almost all ’flow’ respondents, are also more likely to take up the loan (19%). It should be noted that it is not within the remit of this research to assess the extent to which the wider population of ‘stock’ individuals have in fact taken up the loan because the sample is almost entirely comprised of individuals who have not taken up the loan. Eight respondents had taken up the loan or were applying for the loan at the time of the survey.

Close to a fifth of those who were unaware of SMI as a loan before the survey, or who did not remember the offer, are very likely to consider taking it in the future (17% in both instances), suggesting knowledge and awareness is a barrier for some, and that additional communications might increase take-up among this group.

Those who are less financially secure are significantly more likely to consider taking an SMI loan in the future. These include those unable to keep up their current method of mortgage payments for the next year (33%), those not managing well pre-COVID 19 (25%), those who are or have been in arrears in the past two years (22%), and those who would be unable to pay their mortgage if they encountered an unexpected expense (21%). This is crucial as those most in need of SMI are more likely to consider taking it, although again it is important to acknowledge that it is still a minority of those who are financially insecure.

The qualitative research with lenders also highlighted that the change from a benefit to a loan has led to a change in the profile of SMI claimants. Their view was that previously many SMI benefit recipients were in receipt of Pension Credit, and viewed the SMI benefit as a ‘nice to have’ rather than a necessity, whereas current SMI loan claimants are in real financial need, and genuinely struggling to cover their mortgage payments.

> “When it was a benefit, a lot were claiming Pension Credit and it was a nice to have rather than need to have. When they chose not to take the loan it didn't impact many and there was no sudden spike in arrears because of it.”
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> (Lender with 100-500 employees, over £1 billion in assets)
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> (Lender with over 10,000 thousand employees over £500 billion in assets)

1.3 Reasons for being unlikely to take an SMI loan

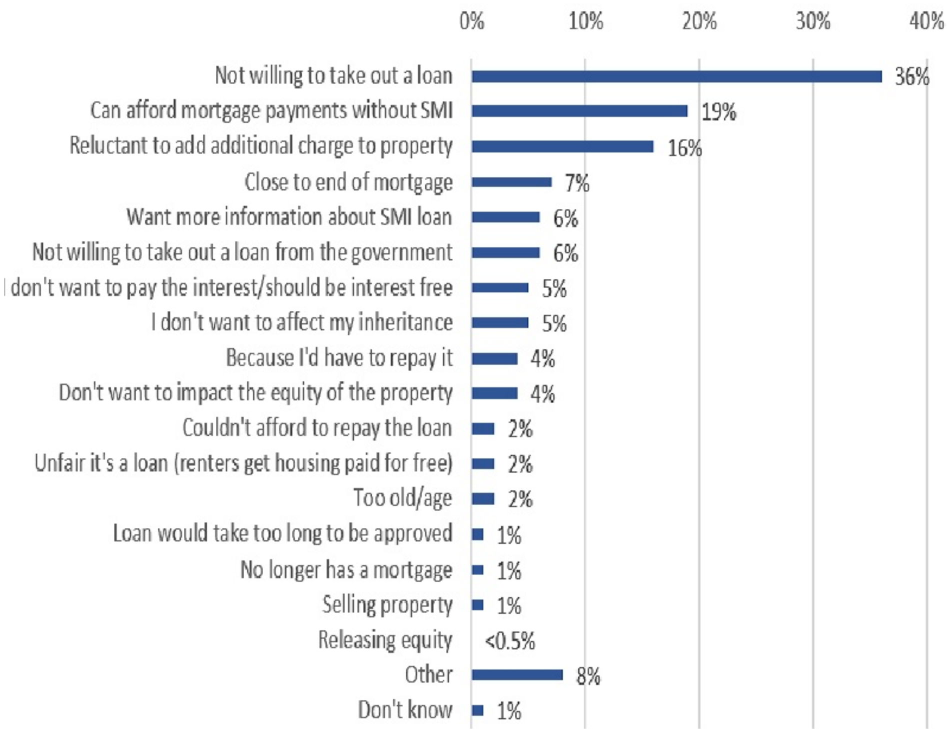
Loan related issues are the biggest barrier to claimants taking out an SMI loan. More than a third of respondents (36%) do not wish to take out a loan, and 16% are reluctant to add an additional charge to their property. It is not clear why they do not wish to take out an additional charge, although 5% did express that they do not want their inheritance affected or for their family to have an additional charge to manage after their death. Only two respondents referred to releasing equity from their home. Other loan related issues included: not willing to take a loan from the Government (6%), sentiment that it should be interest free (5%), and difficulty repaying the loan (2%).

One in five (19%) reported that they can afford their mortgage payments without an SMI loan, with most of this group using their benefits to cover their mortgage repayments (79%). One in five (19%) of this group report using help from friends and family to keep up with their mortgage payments, and one in ten (9%) their wages.

This view was echoed by lenders in the qualitative stage, who further pointed out that many of those who claimed the SMI benefit did so because they could, rather than because they needed to.

Close to one in ten (7%) say that they are close to the end of their mortgage, and one in twenty (6%) want more information about the loan before taking it up, which reflects the overall relatively high awareness of the SMI loan and recall of communications around the offer (see later sections).

Figure 2: Reasons for being unlikely to take an SMI loan (sample base: 341)



Those who are less financially secure are most likely to have an issue with taking out a loan, and are particularly more reluctant to take an additional charge on their property or to pay interest. Therefore, as those individuals who are less financially secure are more likely to have issues with taking out a loan, this suggests they view an SMI loan as they do traditional financial products and treat them equally cautiously.

Whilst recipients of all qualifying benefits are likely to report loan related issues as a concern, Income Support claimants (24%) are significantly more likely to be averse to adding an additional charge to their property, and ESA claimants (30%) are less likely to say they are not willing to take out a loan.

As might be expected, those who did not feel informed at the point of offer are more likely to want additional information (18%), as are those who are less financially secure. This suggests whilst many are sceptical about taking out a new financial product, some would like to know more and so some could be convinced about SMI.

Whilst the survey focused on those who have not taken an SMI loan, due to time passing between the sample being drawn and the research taking place (2 months), the research included some new claimants. Their participation is important as they can reflect on why they previously did not take SMI and how their perceptions of the loan have evolved. In total 8 respondents, out of 700, said they are now either in receipt of an SMI loan or are currently applying for one. Unfortunately, this number is too small to conduct further analysis on, but it does indicate around 1% of eligible claimants that previously did not take an SMI loan are now doing so.

2. Financial situation

2.1 Introduction

This section explores the financial situation of eligible non-recipients, and what actions, if any, have those who have not taken an SMI loan taken instead.

2.2 Current mortgage situation

Three quarters of respondents say they still have a mortgage (78%), falling to two thirds (66%) of those in receipt of Pension Credit. On average, according to respondents, they have 11 years remaining on their term, £62,633 left to pay, and they repay £342 a month. Around one in ten respondents are not sure how long is left on their mortgage term (13%) or how much is remaining to pay (9%), but only one in twenty do not know how much they repay a month (5%).

Those in receipt of Pension Credit are significantly more likely not to know their outstanding mortgage payments (14%), outstanding term (25%), and monthly repayments (13%). However, where Pension Credit claimants are aware, they have the lowest monthly repayments (30% under £100 per month), total outstanding payment (8% under £5,000) and the shortest terms remaining (16% under 3 years).

When analysing the current mortgage situation for those who are less financially secure there is no clear pattern. However, those currently in arrears (or have been in arrears in the past two years) are more likely to be making the largest monthly repayments (22% cf. 12% paying £500-£749 per month and 12% cf. 6% paying over £750 per month). For context, SMI covers interest up to a capital limit of £200,000 for working-age claimants and £100,000 for those of pension age.

All respondents were asked what type of mortgage they either have or most recently had; just over half have a repayment mortgage (54%), 36% have interest-only, and 2% have shared ownership mortgage. 6% did not know what type of mortgage they had or have. These proportions are consistent between both those with and without a current mortgage. Just two respondents commented that they have changed their mortgage type to meet repayments.

Of the 21% who no longer have a mortgage, the majority have completed payments (67%), a fifth (20%) have sold their property and 3% have had their property repossessed. Although the reason as to why some sold their home is not available, those aware of SMI as a loan were in fact more likely to have sold their property (26%), suggesting lack of awareness of SMI as a loan was not the cause for property sales.

Furthermore, repossessions are no higher for those unaware of SMI loans prior to the survey, again suggesting awareness of SMI as a loan was not why some lost their property. Moreover, repossessions and property sales are no higher for those less financially secure. However, notably those who had an interest-only mortgage are more likely to have experienced repossession (7% cf. 0% of those with a repayment mortgage), whilst those with a repayment mortgage are more likely to have completed payments (75% cf. 58% of those with an interest-only mortgage). Analysis by benefit type is limited due to low base sizes.

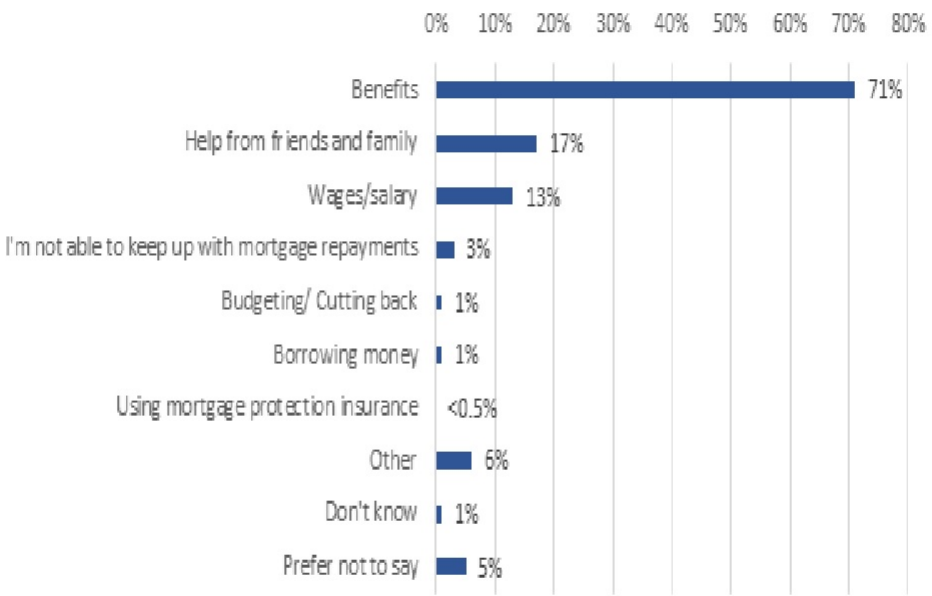
2.3 Mortgages

2.31 Making mortgage repayments

A large majority of respondents who still have a mortgage are keeping up with their repayments using benefits (71%). The other main methods, used by less than one in five, are help from friends and family (17%) and wages/salary (13%).

Close to one in twenty (3%) report being unable to keep up with their payments.

Figure 3: How keeping up with mortgage repayments (sample base: 549)



By benefit type, Pension Credit claimants are far more likely to report using their benefits to pay their mortgage (81%) whilst Universal Credit claimants (23%) are more likely to report using their wages/salary.

Table 2: How keeping up with mortgage repayments by benefit type (sample bases in parentheses)

	ESA	IS	PC	UC
Benefits	73%	73%	**81%**	**54%**
Wages/salary	11%	18%	**5%**	**23%**
I'm not able to keep up with mortgage repayments	2%	1%	1%	9%
Sample bases	(206)	(85)	(154)	(82)

Figures in bold indicate statistically significant differences at the 95% level of confidence

Those who were impacted by the loss of the SMI benefit are significantly more likely to be using help from friends and family (23%), as are those who are less financially secure. Financially insecure households are also more likely to be borrowing from other sources to pay for their mortgage. For example, of those currently in (or have been in the past two years) arrears, 25% are using help from friends and family and 3% are borrowing from elsewhere. However, as expected, those who are financially insecure are significantly more likely to say they are just unable to keep up mortgage repayments (13% of those in arrears cf. 3% overall). Respondents who did not receive SMI as a benefit, and who have become eligible for the SMI loan since April 2018, are also significantly more likely to say they are unable to keep up with repayments (7%). This reflects the findings from the qualitative research with mortgage lenders, some of whom noted that the profile of applicants has moved away from those who did not regard the SMI loan as a necessity, towards those in particular difficulty who are genuinely in need of financial assistance with their mortgage payments.

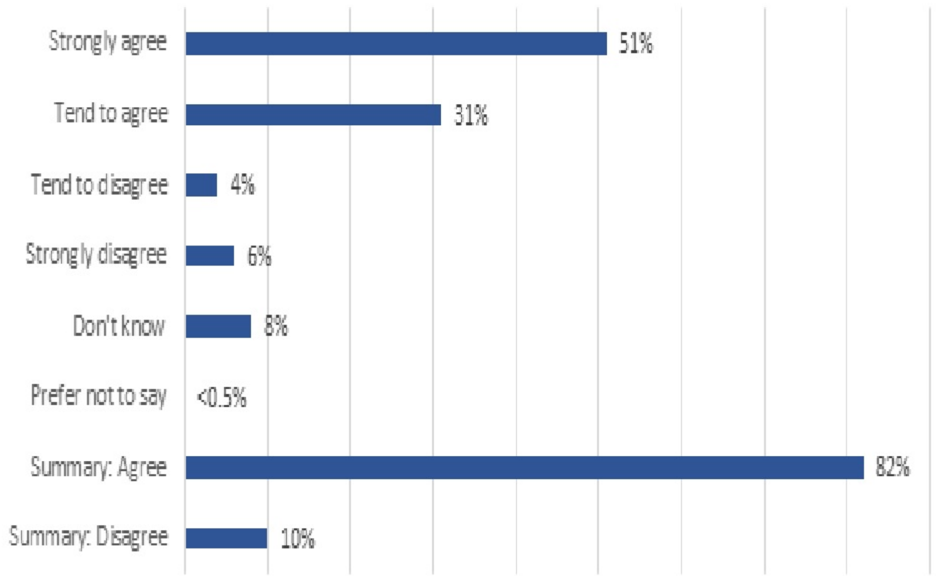
Respondents who have changed the way they keep up their mortgage repayments in the last two years are significantly more likely than average to use their wages/salary to make repayments (24% cf. 10% of those who have not), and significantly less likely than average to use benefits (50% cf. 77% of those who have not).

There are limited differences by ethnicity, gender, or age, although respondents of Muslim background are significantly more likely to use friends and family for help (29%).

2.32 Sustainability of mortgage payments

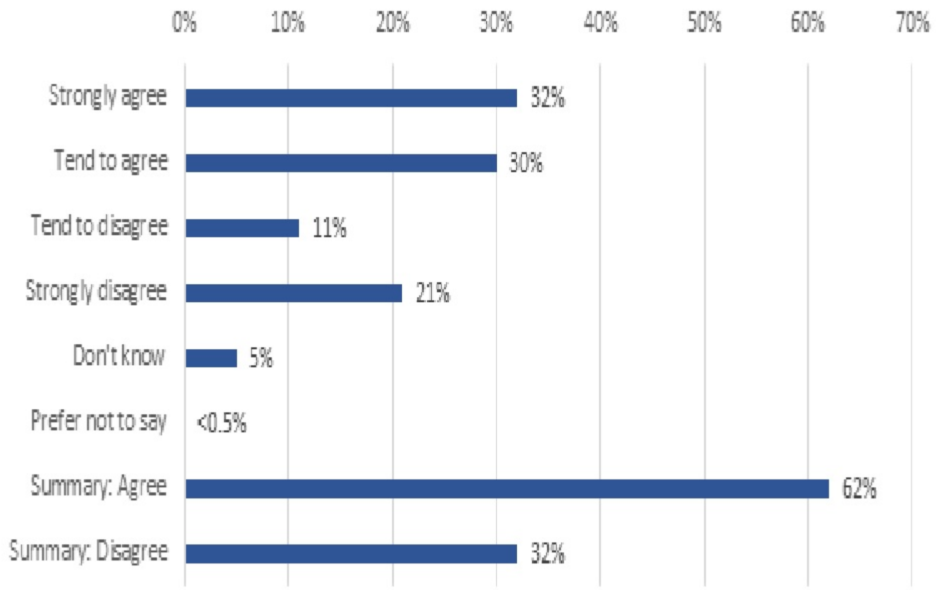
For four in five respondents their source of payment has not changed over the past two years (80%), and a similar proportion agree that they will be able to continue to use this method to pay their mortgage for the next year (82%), including 51% who strongly agree, suggesting their repayment methods are sustainable. One in ten (10%) disagree that this is the case, and a further one in ten (8%) are unsure.

Figure 4: Agreement that they will be able to continue to use this method to pay their mortgage for the next year (sample base: 549)



However, while three in five (62%) agree, a third (32%) disagree that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense, suggesting that this sustainability is fragile for some.

Figure 5: Agreement that they will be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense (sample base: 549)



Those who say the loss of the SMI benefit impacted their mortgage are more likely to say their payment method has changed (23%). While this group are no less likely than average to agree that they will be able to continue to use this method to pay their mortgage for the next year (79% cf. 82%), they are significantly less likely than average to agree that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense (49% cf. 62%).

Respondents who have changed the way they keep up their mortgage repayments in the last two years are significantly more likely than those who have not to disagree that they will be able to continue to use this method to pay their mortgage for the next year (24% cf. 7%), and that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense (47% cf. 29%).

Other groups who are more likely to disagree that their method of repayment is sustainable over the next year include respondents who were previously uninformed about the SMI loan (22%), those likely to take up an SMI loan (20%), those currently in arrears (22%), those not managing well pre-COVID (26%), those whose financial situation has deteriorated since COVID (26%), those with larger outstanding mortgage balances (22% of those whose balance is over £100,000), those living in the East and in London (20% and 23% respectively).

Pension Credit claimants are most secure with their repayment method, most commonly their benefits (81%), with 93% agreeing they will be able to use it for the next year.

Other groups who are more likely to disagree that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense include respondents who were previously uninformed about the SMI loan (44%), those likely to take up an SMI loan (58%), those currently in arrears (59%), those not managing well pre-COVID (68%), those whose financial situation has deteriorated since COVID (54%), those with larger outstanding mortgage balances (44% of those whose balance is over £100,000), those on ESA (38%) and UC (44%), and those who have become eligible for the SMI loan following its change from a benefit (45%).

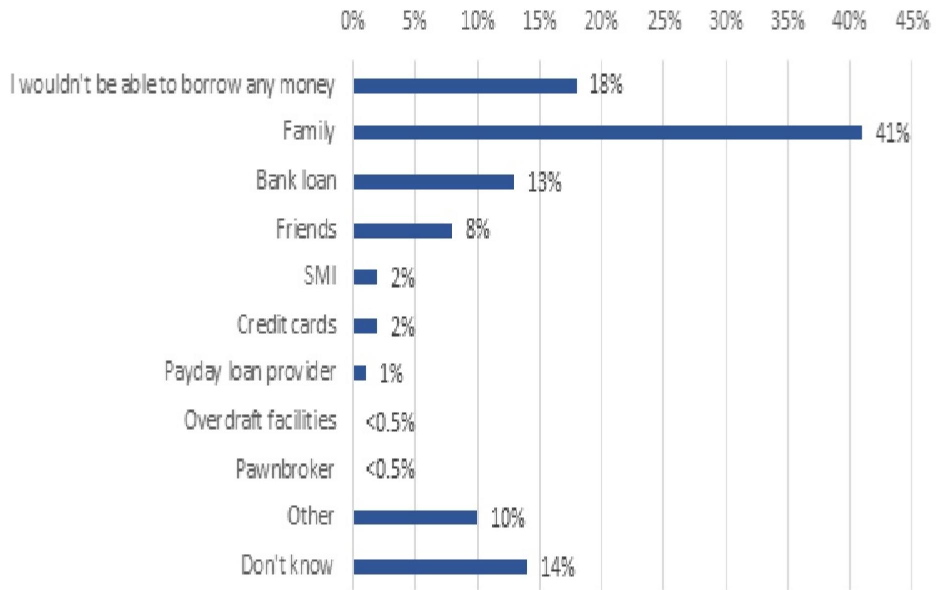
Pension Credit claimants are again most confident that that they would still be able to make their mortgage repayments if they suddenly experienced an unexpected significant expense (74%).

2.33 Sources of help with mortgage payments

When asked where individuals would borrow money from if they needed to help pay for their mortgage, one in five (18%) say they would not be able to borrow any money, and this rises to 31% of those currently in arrears, to 28% of those who were not managing well pre-COVID, and to 24% of those whose finances have worsened in the last two years. A further 14% are unsure of what they would do.

Family is the most common response, mentioned by two in five (41%), while one in ten would take out a bank loan (13%) or turn to friends (8%).

Figure 6: Sources of help with mortgage repayments (sample base: 549)



Those receiving Income Support or Universal Credit are more likely to borrow from family (53% and 52% respectively), whilst a fifth of those on Pension Credit (21%) would take out a bank loan.

2.34 Differences by type of mortgage

There are a number of significant differences between those who have or had a repayment mortgage (54% of the sample) and those who have or had an interest-only mortgage (36% of the sample), which suggest that the latter are both in more need of, and more open to, the SMI loan.

While both groups are equally likely to still have a mortgage (80% and 77% respectively), where they have not, those on a repayment mortgage are more likely to have finished repayments (75% cf. 58%).

Those on an interest-only mortgage have a higher average outstanding mortgage balance (£85,850 cf. £49,295), and they are significantly more likely to be one-person households (46% cf. 30%), and in older age groups (37% aged 70+ cf. 19%).

While those on an interest-only mortgage are no more likely to have been in arrears or to have missed a mortgage payment, and no more likely to be financially insecure, they are more likely to disagree that their current method of mortgage repayment is sustainable for the next year (13% cf. 8%).

While they are less likely to have been aware of the SMI loan prior to being surveyed (71% cf. 81%), they report greater likelihood of taking up an SMI loan in future (31% cf. 20%).

2.4 Financial position over time

2.41 Arrears

Just under a fifth of respondents (17%) are currently in arrears or have been in the past two years. This rises to 29% of those who did not feel informed at the point of offer, to 31% of those who have made changes to their mortgage payments in the last two years, and to 37% of those who disagree that they can maintain their current payment method for the next year.

Moreover, as would be expected, those who are struggling financially in other ways are also more likely to be in arrears, this includes those who say the loss of SMI benefit impacted on their mortgage (27%). Other groups significantly more likely to be in arrears include, households with children (25%), JSA (32%) and ESA claimants (24%), claimants from a Muslim background (29%), those living in London (29%), and those with the largest monthly mortgage repayments and the most to pay off overall.

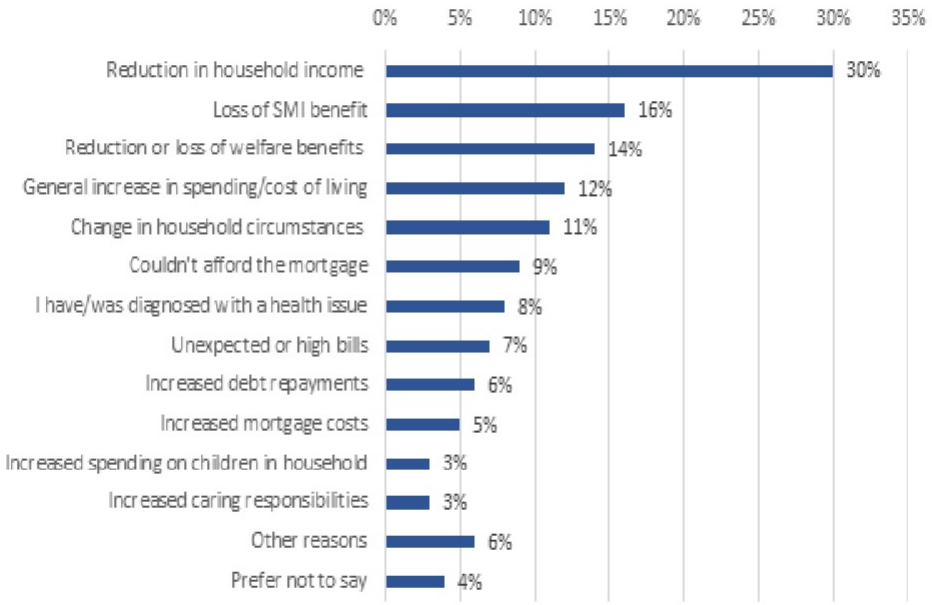
2.42 Reasons for falling into arrears

When asked why they fell into arrears, around a third (30%) stated it was due to a general reduction in household income.

Around one in six (16%) reported that it was due to the loss of the SMI benefit, which equates to 3% of all those with a mortgage, and 14% cited a reduction in or loss of welfare benefits (excluding SMI). So clearly the loss of SMI as a benefit, and other benefits, and their decision not to take up the loan, has had a direct impact on the ability some households to meet their repayments, albeit a small minority.

Around one in ten respondents said they fell into arrears because of a general increase in spending/the cost of living (12%), as a result of personal changes in household circumstances (11%) or because they couldn’t afford the mortgage (9%).

Figure 7: Reasons for falling into arrears (sample base: 97)



2.43 Mortgage payments

Respondents are generally prioritising their mortgage repayments over other bills when needed, as only one in ten (10%) have chosen not to repay their mortgage in order to pay a different bill. However, this is significantly higher among those where there have been changes to keeping up payments in the last two years (21%), those who disagree that they can maintain their current method of payment for the next year (22%) and those who are financially insecure.

Most (81%) have not missed any mortgage repayments in the last two years, with just 14% saying they have. Of this 14% (99 respondents), a fifth (20%) have missed these payments since the start of the COVID-19 pandemic, with the remaining 80% missing payments prior to March 2020.

As with arrears, those who did not feel informed at the point of the SMI loan offer (26%) are more likely to have missed repayments as have those experiencing financial instability. Those impacted by the loss of SMI benefit and those who have changed how they make repayments are also significantly more likely to have missed repayments (25% and 28% respectively).

When looking at specific demographics, claimants are more likely to have missed payments if they are: Asian (20%), Muslim (25%), have children in their household (22%), or receiving ESA (19%) or Universal Credit (20%).

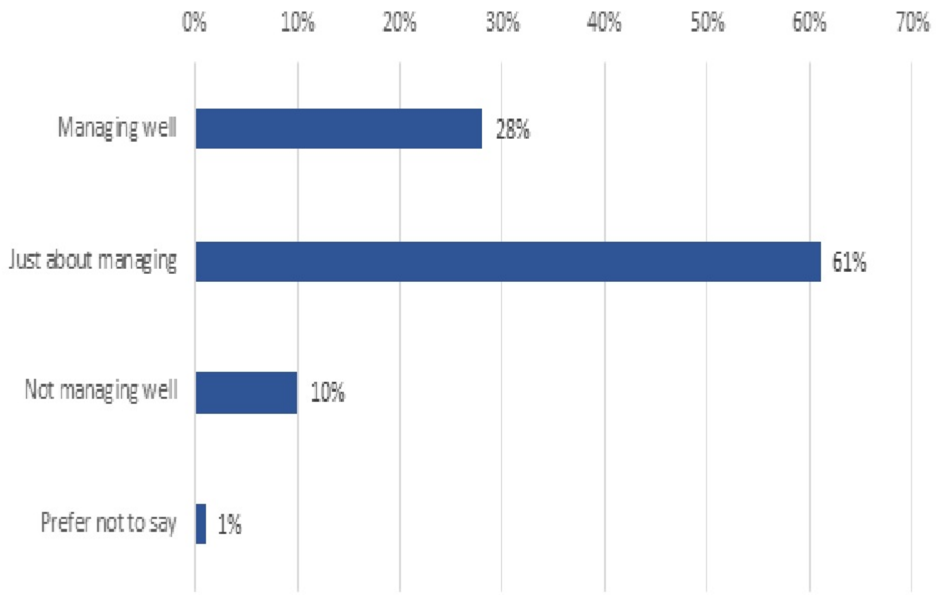
Although the survey did not ascertain specifically why individuals have been unable to keep up with mortgage repayments, there does not appear to be a strong link between the conversion from SMI benefit to SMI loan, as those who received the benefit (13%) are less likely to have missed mortgage repayments, whilst newly eligible claimants (18%) are more likely to have missed them. The difference between stock and flow claimants is not significant, and is primarily driven by more

SMI benefit recipients completing their mortgage payments in the past two years (4% cf. 1%).

2.44 Financial situation prior to COVID-19 pandemic

Close to three in ten (28%) respondents report that they were managing well financially prior to the COVID-19 pandemic. However, three in five (61%) report just managing, and a further one in ten (10%) that they were not managing well.

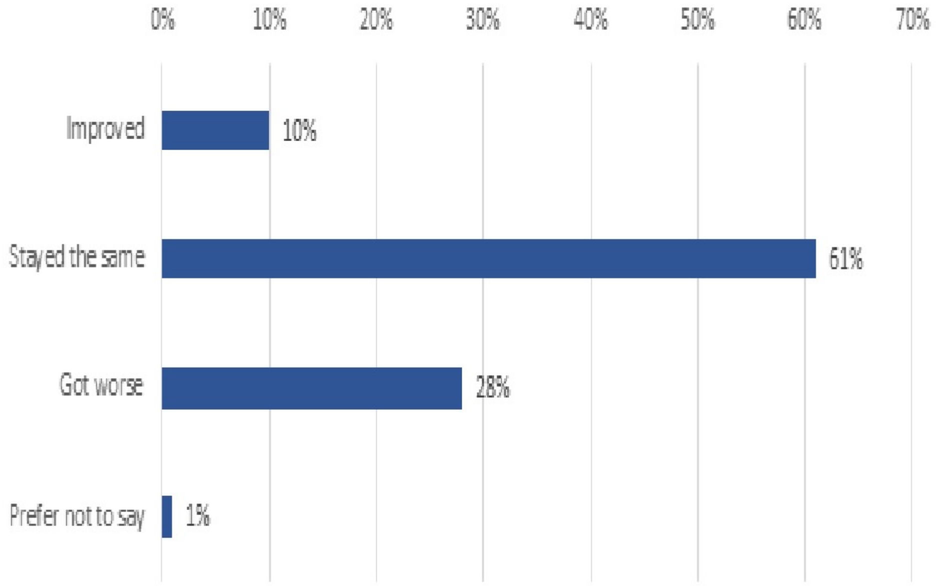
Figure 8: How well managing financially prior to COVID-19 pandemic (sample base: 700)



The proportion not managing well rises to over 20% for many of the financially more insecure groups discussed in previous sections. It is also significantly higher among those who became eligible for an SMI loan following its change from a benefit, and UC claimants (17%), and significantly lower among Pension Credit claimants (5%).

Overall, over the past two years, but prior to the ongoing COVID-19 pandemic, the majority of respondents (61%) feel their financial situation has stayed the same. One in ten (10%) feel it has actually improved, while around a quarter (28%) say it has got worse.

Figure 9: How personal finances have changed in the past two years, prior to COVID-19 (sample base: 700)



As with other similar measures, those who are more likely to feel their situation has got worse are generally less financially secure, have the largest repayments and longest remaining terms, and did not feel informed when offered the SMI loan (35%).

Similar demographic groups are also more likely to feel their situation has got worse: have children in household (37%), respondents from a Muslim background (37%), and Universal Credit (42%) and JSA claimants (35%). Moreover, those with a current mortgage (31%) are significantly more likely than those now without a mortgage (18%) to say their financial circumstances have declined, although there is no variation by mortgage type.

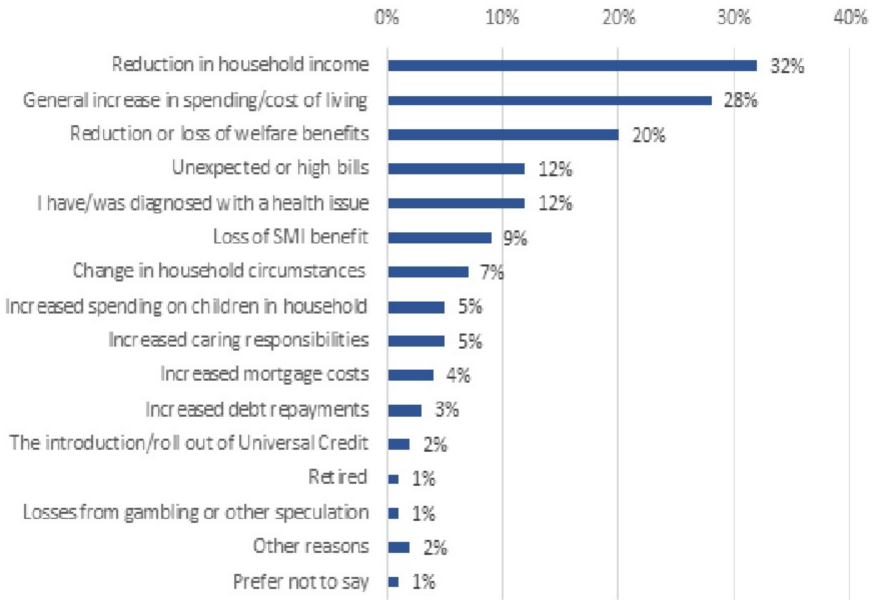
2.45 Reasons for worsening financial situation

When assessing why financial situations have declined, one in three (32%) say it is due to a reduction in their household income, and almost three in ten (28%) say that there has been an increase in the cost of living. One in ten mention unexpected or high bills and health issues (12% in both instances).

One in ten (9%) specifically mention the loss of the SMI benefit as a reason for their worsening financial situation (equating to 3% of all respondents), again demonstrating the direct impact of the loss of SMI as a benefit for some households, albeit a small minority. This is higher amongst those who remember the benefit (15%) and for those who specifically say the loss of the benefit has impacted their mortgage (21%).

However, the loss of the SMI benefit has had less of an impact than other welfare changes, with one in five (20%) saying these are the reasons why their situation has worsened.

Figure 10: Reasons for worsening financial situation (sample base: 196)



2.5 SMI benefit recipients

2.51 Introduction

86% of those eligible for an SMI loan previously received the SMI benefit. As is the case with the SMI loan, the SMI benefit was paid automatically to the mortgage provider, and so claimants may not be aware that they previously received SMI benefit payments. Consequently, it is important to explore whether those who received the benefit recall doing so, and if there has been any impact following the switch from benefit to loan.

2.52 Recall of receipt of the SMI benefit

Three in five respondents (59%) remember receiving the SMI benefit, and as would be expected those who are aware of SMI as a loan and remember being offered an SMI loan are more likely to recall receiving the benefit (69% and 71% respectively). Pension Credit claimants (46%) are less likely to recall receiving the benefit, and ESA claimants are more likely (69%).

2.53 Effect of losing the SMI benefit

There has clearly been an impact for some of losing the SMI benefit. Of those who recall receiving it, over half (57%) say losing the benefit has affected their ability to keep up with mortgage payments, including 25% who say it has affected them a lot.

As outlined above, Pension Credit claimants are generally less aware of SMI as a loan, and they are also significantly less likely to say they have been impacted by the change from a benefit to a loan (45%). Again this echoes findings from the qualitative research with lenders, who felt that some Pension Credit claimants received SMI as a benefit even though they did not necessarily need it.

However, although there is no single demographic group more impacted by the change, it is those who are generally more financially insecure who are most likely to report being impacted. For example, 70% of those whose financial situation has got worse in the past two years have been affected by the change and this increases to 78% when reflecting on financial decline since COVID-19. Furthermore, four in five of those who are currently or have been in arrears in the past two years (81%) have been impacted by the change, as have four in five of those who have made changes to the way in which they keep up their mortgage payments in the last two years (80%).

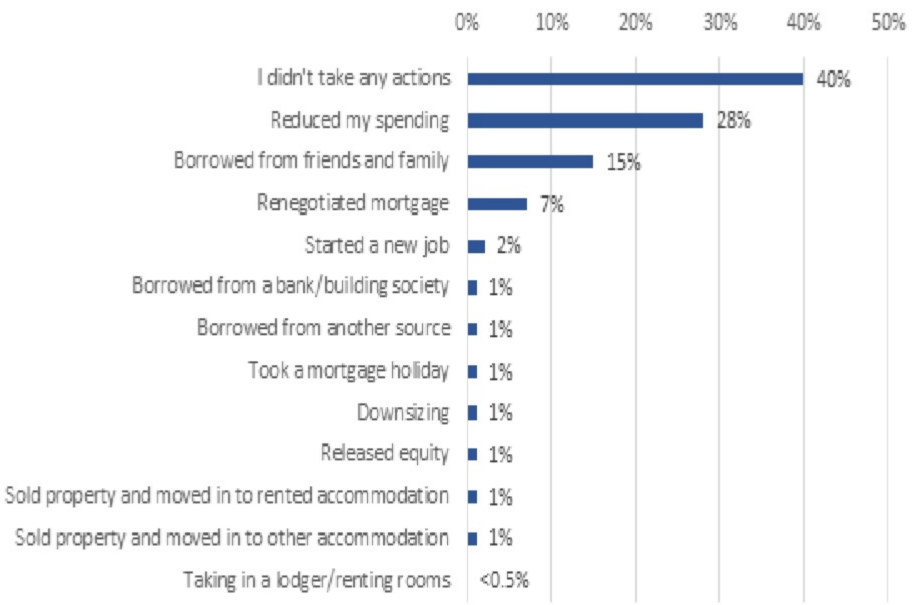
2.54 Actions taken since the SMI benefit stopped

All those who recall receiving the benefit, even if they do not feel the change impacted them, were asked if they have taken any action since the switch. Overall, 40% took no action, and this increases to 59% amongst those who say they were not impacted by the change. By contrast, among those whose ability to keep up with mortgage payments was affected by the loss of the SMI benefit, four in five (80%) took some action when it stopped.

The main actions taken were to reduce spending (28%), to borrow from friends and family (15%), or to renegotiate their mortgage (7%).

Among those affected by the loss of the SMI benefit, 40% report reducing their spending and 25% report borrowing from friends and family.

Figure 11: Actions taken when they stopped receiving the SMI benefit (sample base: 341)



There are limited differences by gender and disability, although likelihood to have taken action generally decreases with age, and Asian respondents (30%) are significantly more likely to have borrowed from friends and family.

Pension Credit claimants (50%) are significantly more likely not to have taken action when compared with any other benefit type.

Those who are less financially secure are more likely to have taken action, for example, those currently in or those who have been in arrears in the past two years are significantly more likely to have reacted to the change by borrowing from friends and family (30%).

Those who have made changes to the way they keep up their mortgage repayments in the last two years are significantly more likely than average to have taken action since they stopped receiving the SMI benefit (84% cf. 60%), driven by larger than average proportions who renegotiated their mortgage (16% cf. 7%) or started a new job (7% cf. 2%).

Around a fifth of respondents who recalled receiving the benefit no longer have a mortgage (17%), as they have either sold their property (27%) or fully completed payments (63%). Of this group, 5% state they have sold their property and moved into rented accommodation since they stopped receiving the benefit and a further 7% say they have sold their property to move into alternative accommodation.

However, whilst some may have taken serious action by selling their property, the majority of those without a mortgage (54%) have taken no action at all and they are also significantly less likely to have reduced their spending, (8% compared to 32% of those who still have a mortgage). This suggests that those who no longer have a mortgage are likely to fall into one of two categories: those who were able to manage repayments and so did not need to adapt their lifestyle significantly once the SMI benefit became a loan, and the second group, albeit much smaller, who have taken serious action by selling their property in order to mitigate against the change.

2.6 Impact of COVID-19

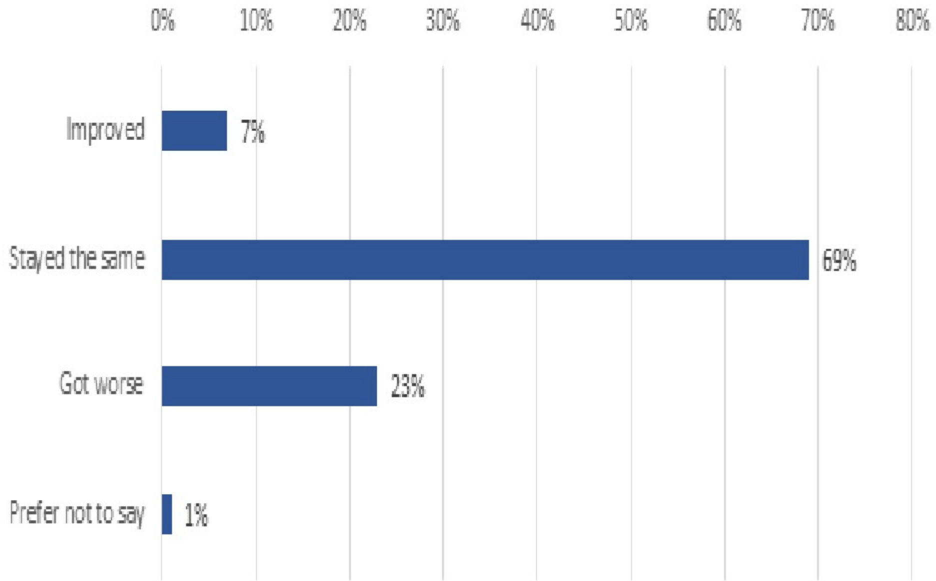
2.61 Introduction

As mentioned previously, the research aimed to understand perceptions back to April 2018 when SMI was changed from benefit to loan. Therefore, when the ongoing COVID-19 pandemic began to impact lives and finances for many, it was important the survey also looked to understand the impact of COVID-19 specifically.

2.62 Impact of COVID-19 on personal finances

Since March 2020, and the start of the pandemic and the implementation of lockdown, the majority of respondents (69%) say their financial situation has not changed, slightly more than the proportion who have experienced no change over the past two years (61%). Where they have experienced change, as when looking at the last two years as a whole, more (23%) have experienced a decline rather than an improvement (7%).

Figure 12: How personal finances have changed since the start of COVID-19 (Unweighted sample base: 700)

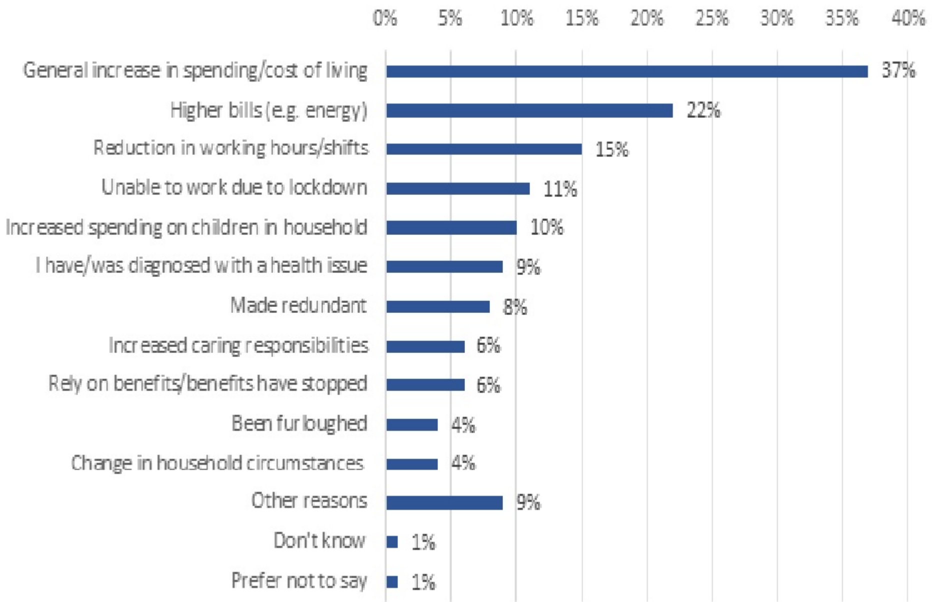


As found across the survey findings more generally, those who are less financially secure overall are more likely to have experienced a deterioration, as are those who did not feel informed about SMI at the offer (34%), and those who are making the largest monthly repayments. Moreover, those whose financial situation has got worse since the start of the COVID-19 pandemic are significantly more likely to have also felt their financial situation decline in the last two years (53%).

When looking at demographic groups, it is again the same individuals who are more likely to be struggling: Asian respondents (34%), those with children in their household (34%), Muslim respondents (44%), and Universal Credit (28%) and JSA claimants (42%).

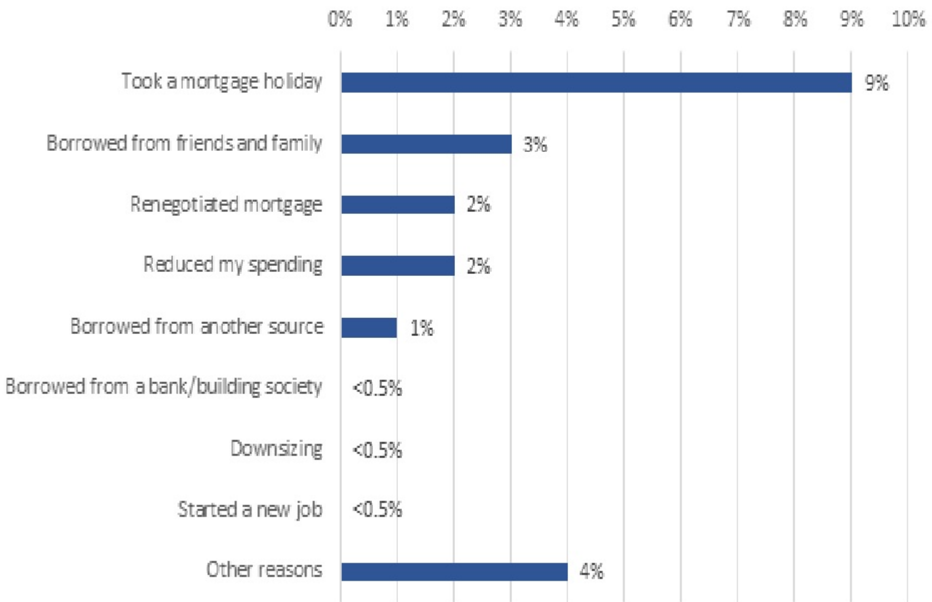
For the largest proportion of respondents who say their financial situation has worsened since COVID-19 (37%), it is because they are experiencing an increase in the cost of living, with a further 22% referencing higher bills (such as energy) and 10% saying having children at home has increased spending. Issues with working are also common, with 11% unable to work due to lockdown, 8% being made redundant and 15% seeing a reduction in shifts or working hours.

Figure 13: Reasons for worsening financial situation since COVID-19 (sample base: 196)



For the majority of those still with a mortgage, four in five (80%) have not taken action since the start of the pandemic to help meet repayments. Where action was taken, most (9%) opted to take a mortgage holiday.

Figure 14: Actions taken to help with mortgage repayments since COVID-19 (sample base: 551)

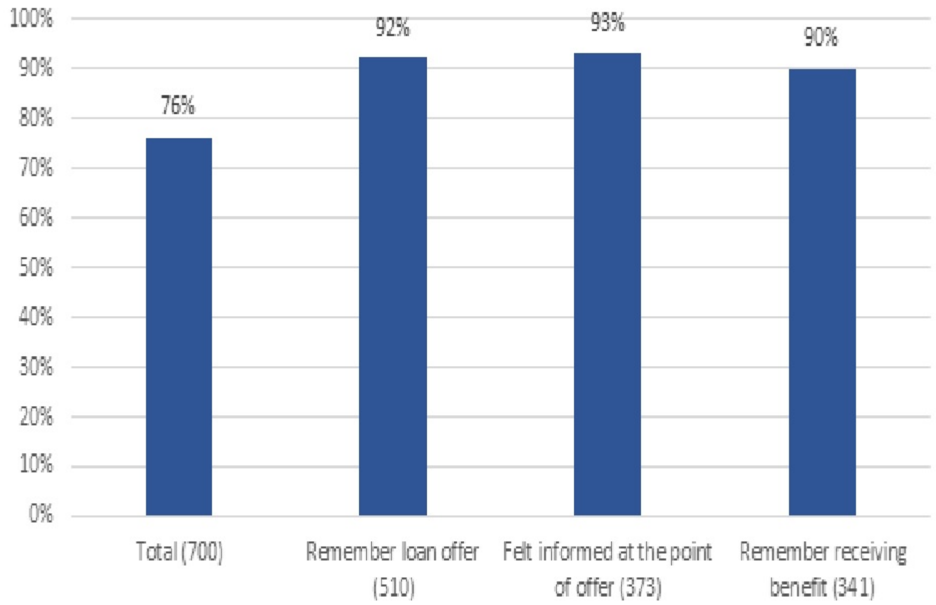


3. Perceptions of SMI

3.1 Awareness of the SMI loan

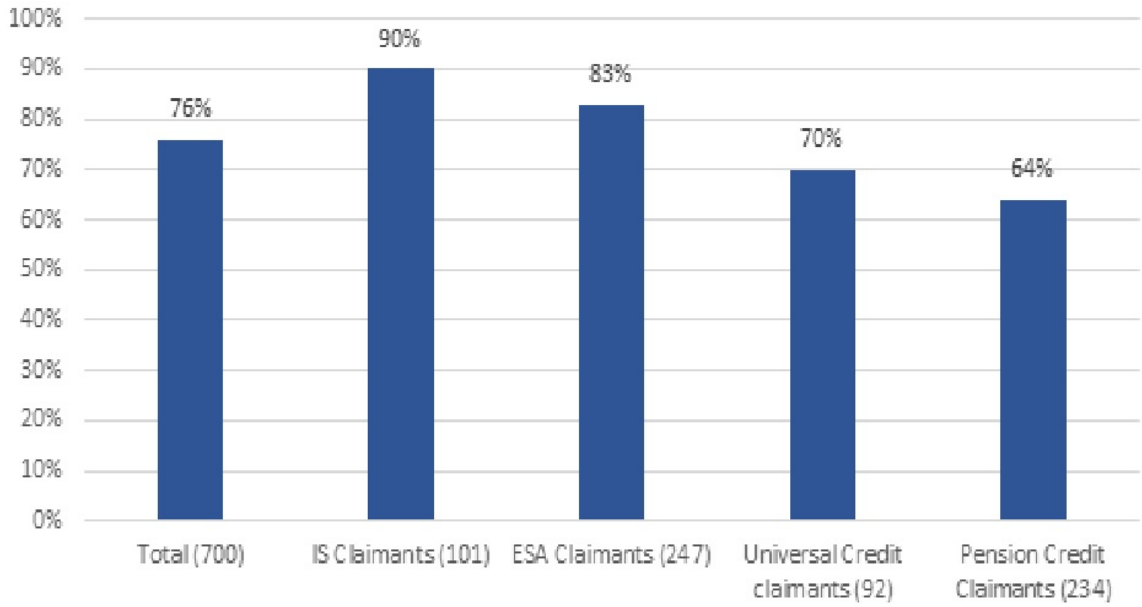
Three quarters (76%) of respondents were aware of the SMI loan prior to the survey. While levels of awareness are similar for both those who previously received the SMI benefit ('stock') and those who were eligible for, but declined the SMI loan when it became available ('flow') (76% and 72% respectively), they are particularly high among those who remember being offered the loan (92%), those who felt informed at the point of the offer (93%), and those who remember receiving the SMI benefit (90% of those stock claimants).

Figure 15: Awareness of the SMI loan (sample bases in brackets)



Awareness of the SMI loan is significantly higher amongst Income Support (IS) claimants (90%) and Employment and Support Allowance (ESA) claimants (83%), whereas Pension Credit claimants (64%) are significantly less likely to be aware.

Figure 16: Awareness of SMI as a loan (sample bases in brackets)



Those on a repayment mortgage are significantly more likely (81%), and those on an interest-only mortgage are significantly less likely (71%), to be aware of the SMI loan.

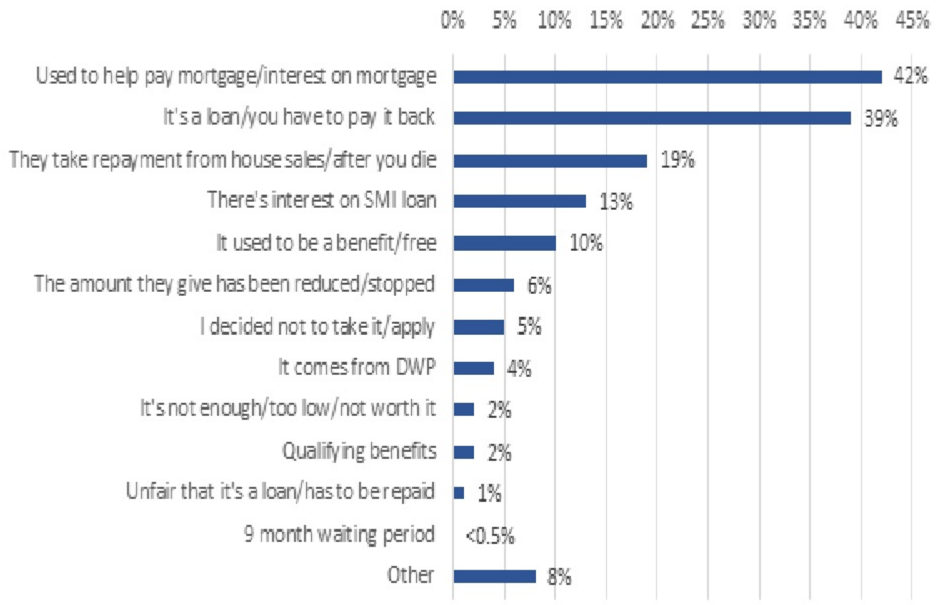
Awareness is also long-term, with nine in ten respondents (92%) knowing about SMI loan for over six months, including 80% who have known about it for over a year. Notably, even amongst those who do not remember being offered SMI, three quarters (76%) have known about SMI for over six months, which suggests that while some do not specifically remember the offer, they do more importantly remember and are aware of the SMI loan.

3.2 Understanding of the SMI loan

Of those who are aware of the SMI loan, the majority (84%) have some understanding of them. When asked what they know about them, the most common responses are that it helps with mortgage repayments (42%), and it is a loan (39%). There is some knowledge specifically about the loan payments, with 19% knowing repayment is made upon the sale of the property and 13% understanding interest is to be paid with the loan repayment. One in ten (10%) mentioned that it was previously a benefit, and one in twenty (6%) that the amount given has been reduced (albeit that this was not, in fact, the case).

While very few mentioned the 9 month waiting period, this was a key issue identified by lenders in the qualitative phase, with several highlighting this as a significant barrier, and some suggesting that shortening the waiting period would better meet the needs of those who urgently require support to cover their mortgage interest. Communication with lenders during this waiting period was also criticised, in particular the lack of clarity on whether the claimant would be eligible after the waiting period made advising their customers more difficult.

Figure 17: Understanding of the SMI loan (sample base: 529)



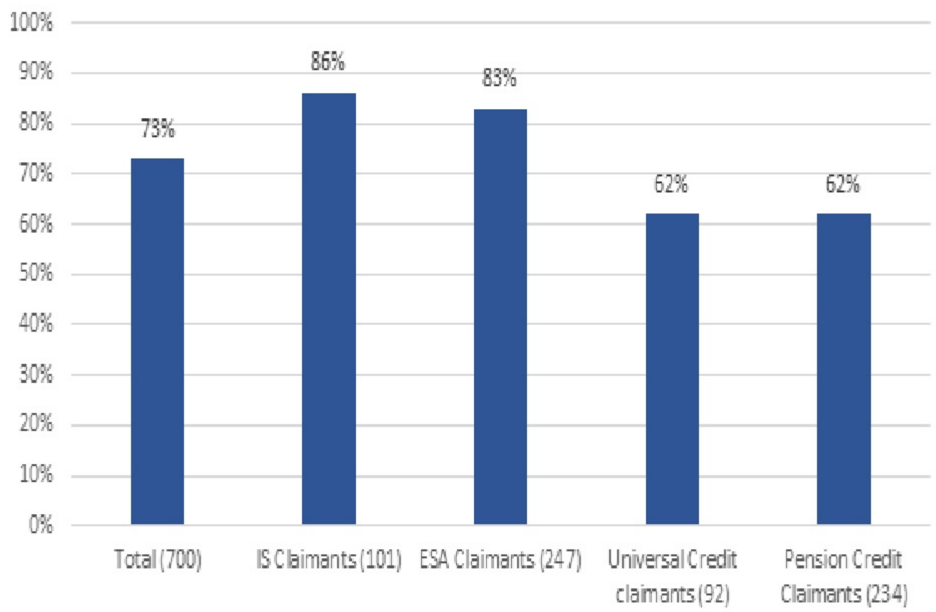
When broken down by qualifying benefit type, as with overall awareness, Pension Credit claimants (73%) are least likely to remember something specific about SMI. However, Pension Credit claimants (11%) are significantly more likely to say the amount given has been reduced or stopped. This is likely to be driven by the high proportion of Pension Credit claimants (99%) who were in receipt of the SMI benefit, as the perception that payments have declined is one held almost exclusively by those who received the benefit (7% cf. 1% of those only eligible since SMI was transitioned to a loan). This suggests that the change from benefit to loan has been perceived by a small minority as a decline in, or stopping of, SMI payments, rather than the conversion of a benefit to a loan.

3.3 Recall of SMI communications

All those eligible to receive an SMI loan should have been contacted to be offered the loan directly by Serco or a Universal Credit agent. Two in three respondents (67%) recall being offered the loan and a further 6% remember when prompted about the method of communication of the offer. However, this means that a third of those eligible do not recall the offer, which could suggest it should be offered again.

As with overall awareness of the SMI loan, IS and ESA claimants are significantly more likely to recall the offer (86% and 83% respectively) and Pension Credit claimants significantly less likely (62%), as are Universal Credit claimants (62%).

Figure 18: Remember receiving communications about an SMI loan (Unweighted sample bases in brackets)

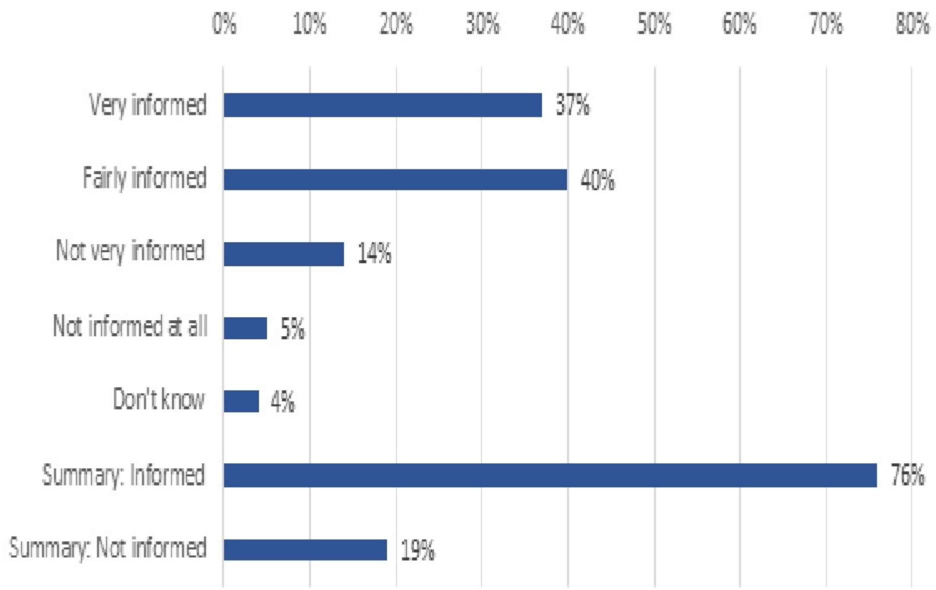


Those who received the SMI benefit are more likely recall the offer than those who have become eligible since the loan's introduction (74% cf. 65%); although amongst those who actually received the benefit it is those who remember receiving it who are more likely to recall the offer (90% cf. 50%).

3.4 Feeling informed about SMI loans

Those who recalled the offer were asked how informed they felt when they were offered an SMI loan. The majority (76%) say they felt informed, including 37% who say they felt very informed. One in five (19%) did not feel informed when the offer was made.

Figure 19: How informed they felt when they were offered an SMI loan (Unweighted sample base: 488)



The proportion of respondents who say they felt informed is consistent across all demographic groups, including gender, age, and disability. It is also consistent by benefit type and stock and flow status, which suggests that the communication of the offer was clear and informative for the majority of those who remember being contacted.

However, those who are likely to be less financially secure feel less informed; For example, 59% of those currently in arrears (or have been in arrears in the past two years) feel informed, as do 50% of those who will be unable to keep up their mortgage repayments for the next 12 months.

4. Perceptions of mortgage lenders

4.1 Background

4.11 Aims and objectives

The objective of the qualitative interviews was to better understand the impact of the SMI transition from a benefit to loan, specifically from the perspective of mortgage lenders.

In particular, the interviews aimed to understand:

- How the conversion of SMI from a benefit into a loan, from April 2018, impacted customers and lenders, and how lenders managed the transition.
- Potential causes of the low take up and the barriers faced by customers to claim SMI.
- The awareness and understanding that both lenders and borrowers have of SMI.
- How the SMI loan is currently communicated to borrowers.
- How the scheme could be improved from a lenders perspective.

4.12 Method

BMG conducted 9 semi structured in-depth interviews with key mortgage lenders.

- 10 contacts were initially sourced by DWP and contacted by BMG to schedule the interviews. Of these 10, 9 were scheduled and interviewed.
- Each interview lasted an average between 25 to 30 minutes.
- As a profile of companies, five of the supplied lenders interviewed had between 100 and 500 employees, one had less than 100, one had 1,000 and two had more than 10,000 employees.

For the purposes of contextualizing the analysis, individual quotes include a description of the company's number of employees and an estimate of their most recently published total assets.

4.13 Topic guide development

The topic guide was developed by BMG and DWP, and split into four sections:

- Initial view of SMI;
- Perceived barriers;
- Messaging and communications;
- Reflections and improvements.

4.14 Analysis

The results have been transcribed and analyzed thematically, using a grid format, based on the questions in the discussion guide.

4.2 Key findings

- The overall opinion of SMI from mortgage lenders is that it is declining in importance, but still remains an effective tool in supporting customers with their mortgage interest payments.
- There has been a sharp decrease in number of claimants, the common view was when a ‘benefit’ SMI was viewed as a ‘nice to have’, whereas now as a ‘Loan’ it is viewed as a ‘necessity’ by claimants.
- The two main barriers to claiming the SMI loan were reported to be:
  1. Confusion from borrowers over eligibility and how to apply.
  2. Eligible SMI claimants being hesitant about the idea of taking up a loan against their property.
- The 39 week wait for SMI appears to be problematic for both lenders and borrowers, with claimants unable to find sufficient alternative financial resources during the wait, and their accounts falling into arears.
- Lenders feel that there should be ‘three-way’ communication with themselves, the customers and the lender during the application process to ensure that all aspects of the application are completed.

4.3 Key recommendations

- Based on the findings of the qualitative research, we would recommend that better communication is required between lenders and borrowers to inform them about the benefits of SMI, eligibility for the SMI loan and how to apply for it. Communication should continue during the application process to ensure the application is fully completed.
- Where possible, the 39 week wait could be shortened, allowing those who are in urgent need of financial resources to cover their mortgage interest to be able to secure the support before they fall into arrears.
- It should be established before the 39 week wait whether the potential SMI claimant is eligible for the SMI loan, with this information then communicated to the mortgage lender, allowing for appropriate actions to prevent their accounts from falling into arrears.
- After the 39 week, if the claimant has not found sufficient alternative resources to pay their mortgage interest the loan could be paid retrospectively to cover any mortgage interest payments missed in the previous 9 months.
- A communication and outreach strategy could be devised to inform eligible and identified claimants who haven’t taken up an SMI loan, of the benefits of doing so relative to alternative sources of finance.
- More is needing to be done to inform lenders about the SMI loan and the application process, to enable lenders to better advise their customers about their eligibility and how they can apply for the loan.

4.4 Overview of findings

4.41 Lenders overall views of SMI
Most of the mortgage lenders view the SMI loan as a welcome contribution to servicing customers' mortgages, with some in particular referencing the support the SMI loan offers to vulnerable individuals who cannot afford their mortgage interest as a central tenet of the scheme.

> "For customers, just to get that extra support to meet the payments and keep their roof over their head. Obviously for us the last thing we would want to do is take possession of a property so if we're receiving payments and the mortgage is being serviced that's a massive bonus for us."
>
> (Lender with 100-500 employees, over 1 billion in assets)
>
> "The key benefit is it keeps people in their home. And from a lender's position it's pretty amazing someone will pay a mortgage on someone else's behalf so it's a very welcome contribution to somebody's mortgage."
>
> (Lender with 100-500 employees, over £1 billion in assets)
>
> "So, from a lender's position, and from a servicer's position, it's a very welcome, whether it's a benefit or a loan, contribution to somebody's mortgage. And will have reduced homelessness."
>
> (Lender with 100-500 employees, over £1 billion in assets)
>
> "It's good in terms of how the government is looking to help these vulnerable people to get an element of home ownership and take them out of the care system."
>
> (Lender with 0-100 employees, under £500 Million in assets)

Following the transition of SMI from a benefit to a loan in April 2018, all of the lenders interviewed spoke of the significant reduction in the number of SMI claimants seen. Due to the fall in SMI claimants, for many lenders, the importance of SMI has decreased as a valued method of aiding the servicing of mortgages managed by their company.

> "At the moment, not very [important]. We used to have quite a lot of customers, especially older people on pension credit but since it turned to a loan, we have so few customers who claim SMI that if it stops next week, we probably wouldn't see much of a difference to overall figures. Like I say, so few people claim it now compared to what they used to."
>
> (Lender with 100-500 employees and over 500 million in assets)
>
> "Between March 2018 and August 2018 the number of claimants dropped from 1500 to just under 400. Around 460 now."
>
> (Lender with 100-500 employees, over £1 billion in assets)
>
> "We've not got too many customers, to be honest, that are on receipt of it, so the figures are just nominal on our side, so it's not a massive thing… It is

> something we would tell them to consider, but in terms of the number of accounts on our books that are in receipt of SMIs, not many at all."
>
> (Lender with 100-500 employees, over 1 billion in assets)

4.42 The changing profile of SMI claimants

Several lenders attribute the sudden reduction in SMI loan claimants to previous SMI benefit claimants' unwillingness to take up the loan. This matches the broader findings in the quantitative research.

Furthermore, they stated that most SMI claimants they are currently working with are in a poor financial position and are in need of the SMI loan to afford mortgage interest payments.

> "I think in terms of the customers who want it now, they absolutely need it, so we're certainly seeing that."
>
> (Lender with over 10,000 thousand employees over £500 billion in assets)
>
> "Any people that need it are desperate and they can't afford their mortgage payment and those are the ones taking up that deal."
>
> (Lender with 100-£500 employees and over 1 billion in assets)

Therefore, they believed, a proportion of former SMI benefit claimants did not need the support the benefit gave. This has contributed to the fall in current claimants.

> "I think there will be an element where customers were probably able to maintain payments previously, or could maintain their mortgage and technically didn't need it."
>
> (Lender with over 10,000 employees over 500 billion in assets)
>
> "There would have been a number of customers across the UK, where they were receiving the benefit and they didn't actually need it. But because they were eligible for it, they were taking it. So, when the loan came in, there would've been a drop off of customers thinking, 'Well, I don't need this'."
>
> (Lender with over 10,000 thousand employees over 500 billion in assets)

4.43 Causes of low take-up of SMI as a loan

Almost all of the lenders stated they had experienced no increase in mortgage defaults or change to the number of customers wanting to discuss mortgage repayments following the transition of SMI from a benefit to a loan.

Moreover, the lenders had not seen a difference in the number of customers wanting to discuss their mortgage payments since the transition from a benefit to a loan.

> "When it was a benefit, a lot were claiming Pension Credit and it was a nice to have rather than need to have. When they chose not to take the loan it didn't impact many and there was no sudden spike in arrears because of it."
>
> (Lender with 100-500 employees, over £1 billion in assets)
>
> "I would say linked to support for mortgage interest, no. It's probably a difficult one because you're not comparing apples with apples, there is a lot of other

different factors within it. So, I probably wouldn't say that just because that happened, a lot of people defaulted, because that's not the case.”

(Lender with over 10,000 thousand employees over 500 billion in assets

Several lenders attributed the sudden reduction in SMI claimants and subsequent low take up to previous claimants of the SMI benefit declining the opportunity to take up the loan, as they were able to manage without it.

“I would say because they were using it a top-up to their mortgage. They weren't using it as a method to pay their mortgage. They could pay repayments without the benefit.”

(Lender with over 1,000 employees and over £1 billion in assets)

“Pension Credit claimants didn't really need it and don't want the loan.”

(Lender with over 10,000 employees and over £500 billion in assets)

One reason stated for this was that claimants who qualified through Pension Credit did not need SMI as they had alternative resources such as equity release, personal savings or pension freedoms to pay off their mortgage interest or redeem their mortgages, which matches the broader quantitative findings.

“Using savings they already have, reducing their outgoing expenditure, increase use of pensions freedoms and equity release to pay off their mortgages. A good number of customers redeemed their mortgages.”

(Lender with 100-500 employees, over 1 billion in assets)

However, the wider financial situation of former claimants is unknown and it is not possible to infer that the low take up of SMI has caused no financial hardship.

4.44 Barriers to take-up
Changes in eligibility

Some lenders stated that several customers who might who are struggling financially have been unable to claim due to changes to eligibility.

“Some borrowers that are receiving other DWP benefits are no longer eligible for SMI because of the changes in the way that benefits are assessed. These are the ones that are struggling.”

(Lender with 100-500 employees and over 1 billion in assets)

“The ones that are struggling are the ones that actually are no longer eligible under the new system, whereas previously, they would have been eligible.”

(Lender with over 1,000 employees and over 1 billion in assets)

“We’ve had other people since the loan has been introduced that have gone onto benefits and have struggled. For example, someone is out of work, on benefits and hasn’t got SMI.”

(Lender with over 1,000 employees and over 1 billion in assets

This suggests that changes to eligibility has led to difficulties for some, as evidenced by the quantitative research.

39-week wait period

Several mortgage lenders highlighted the 39-week wait period as a significant barrier of SMI and suggested that shortening the waiting period would better meet the needs of those who urgently require support to cover their mortgage interest.

> “Given the DWP is saving money as less people are claiming they should look at whether the 39-week wait is appropriate as it really puts people into hardship who don't need to be.”
>
> (Lender with 100-500 employees and over 1 billion in assets)
>
> “Claimants can't claim for 39 weeks so they are potentially already 9 months in arrears.”
>
> (Lender with 100-500 employees, over £1 billion in assets)

Lenders stated that, because the loan does not pay out retrospectively, borrowers who do not find sufficient resource to pay off their mortgage interest are falling into arrears. This also applies to those who find work during the 39-week wait.

> “Also 39 weeks is a long waiting time and anything can happen in that time e.g. in week 30 the customer gets a job. They don't get back-dated for that money and the account is 4 months into arrears. The job may not help any of the outstanding debt.”
>
> (Lender with 100-500 employees and over 1 billion in assets)
>
> “I would need the benefit pretty quickly if I'd lost my job, to help try and maintain the payments. Getting it 39 weeks down the line, is not hugely helpful. I just think that time lapse is just, it just takes away the impact of it.”
>
> (Lender with over 10,000 thousand employees over 500 billion in assets)
>
> “The waiting period, like we've said, it's a big barrier because most people haven't got 39 weeks to wait. So, that can potentially be the reason people just discount it.”
>
> (Lender with 100-500 employees and over 500 million in assets)

Communication with lenders during this 39-week wait was also criticised. In particular the lack of clarity on whether the claimant would be eligible after the 39 weeks made advising their customers more difficult.

> “Some cases take more than 9 months to resolve which can affect litigation action we can take as at the end of 39 weeks they may not qualify for SMI so still can't meet mortgage payments and arrears.”
>
> (Lender with 100-500 employees and over 1 billion in assets)

4.45 Communication around SMI

A high proportion of the lenders felt comfortable explaining the basic details of SMI, such as eligibility, how much of the balance is covered, and where to go to begin the application process.

However, most of the lenders felt they did not have sufficient understanding to directly advise potential claimants on whether to take up the loan or how they could apply for it. Instead they felt this advice should come from the DWP or organisations such as Citizens Advice or debt advisors.

> ‘’We would say, 'You're struggling with your payments, have you looked into if you're eligible for support with your mortgage? Go speak to Citizens Advice or contact DWP.’’
>
> (Lender with 100-500 employees, over 1 billion in assets
>
> “For us, we would give basic information about it but they need to go and make the application.”
>
> (Lender with 100-500 employees, over 1 billion in assets)
>
> “Customers should seek advice from the independent debt advisors as to what the impact of either taking or not taking the SMI is.”
>
> (Lender with 100-500 employees, over £1 billion in assets)

This reflects an overall lack of detailed knowledge from some of the mortgage lenders about the SMI loan and suggests that more support is needed to inform lenders about the application process and the potential impact of SMI on the borrowers’ situation.

A significant number of the lenders felt that they needed a communication channel with DWP to keep themselves updated with the application process. Ideally, they believe this communication should be a joined up ‘3-way’, between themselves, the mortgage claimant and DWP.

Putting the onus on the claimant to communicate with both DWP and the lender during the application has proven to draw cases out longer due to incomplete applications and has led to more accounts falling into arrears.

> “So, technically a borrower should be able to come to the phone and say, ‘I've applied for X, Y, and Z benefit, I filled out my SMI claim form, but it’s not. We’re having to say to them, ‘Okay, have you looked at this, have you done this?”
>
> (Lender with 100-500 employees and over 1 billion in assets)
>
> “Improved communication from DWP to us about a customer's situation would help because then we would be in a position to help that customer out. 3-way communication between borrower, lender & DWP.’’
>
> (Lender with 100-500 employees and over 1 billion in assets)

"I say, I think it would've been really useful if we could've work around the data protection concerns and given a more joined up experience because, you know, they are effectively customers of both DWP and the lender."

(Lender with over 10,000 employees and over 500 billion in assets)

To improve the take up rate of SMI, it was suggested that those who are eligible should be informed of this when they initial sign up for benefits. The hesitation by potential claimants in taking up a loan could be offset if the initial explanation about the SMI scheme was delivered by DWP instead of the mortgage lender.

''I would think initially, it should be DWP, when people go and ask for help. They should be, you know, able to speak to someone who can, sort of, go through and give them the whole range of benefits that they may be eligible for.''

(Lender with over 1,000 employees and over 1 billion in assets)

''I think when customers apply for benefits, at that time they should be made aware of all assistance available to them through government schemes.''

(Lender with 100-500 employees, over 1 billion in assets)

"So, anybody that's applying for a benefit right at the beginning, should be explained that SMI is available because we seem to do a lot of explaining this end.''

(Lender with 100-500 employees and over 1 billion in assets)

Only a few of the mortgage lenders were proactive about informing their SMI customers that SMI was turning from a benefit into a loan. They reached out to their customers with information and provide fact sheets.

"We just wrote to them, just to be proactive and to say that these changes were coming and they should expect a letter from the DWP, who will be able to explain those changes for them.''

(Lender with over 10,000 thousand employees over 500 billion in assets)

"We had a fact sheet when it changed in April 2018, it has telephone numbers, a Q&A section to guide customers''.

(Lender with 100-500 employees and over 1 billion in assets)

Others however, were more reactive, as they expected all information about the transition to come directly from DWP. Therefore, only gave information to customers when they were contacted directly.

"You should've received communication from the DWP, if you haven't, we suggest contacting them. Or if not, contact us and we can explain it to you."

(Lender with over 10,000 thousand employees over 500 billion in assets)

This reflects an overall lack of detailed knowledge from some of the mortgage claimants about the SMI loan, suggesting more support should have been given to lenders to help them understand the loan.

Appendices

Detailed methodology

Sampling
At the time of drawing the research sample, there were 94,000 individuals who were eligible for SMI as a loan but had not taken it. Of this 94,000, DWP randomly selected 4,994 records from which the 700 interviews would take place. Twenty-eight of the 4,994 records were excluded, as these individuals only became eligible to claim SMI since March 2020. This time period coincides with the Coronavirus pandemic, and subsequently the implementation of lockdown restrictions, as well as impacts on job security and working hours for many. Therefore, it was agreed that these individuals may be disproportionately impacted by recent events and so their decision not to take SMI may not reflect the views of the wider sample. This left 4,966 eligible records to be contacted. Each of these records contained one or two telephone numbers, and all numbers had the possibility of being called up to 10 times in order to achieve the 700 interviews. A full breakdown of the response rate can be seen in table 3.1.

Table 3.1 Response rate

	Population (n)	Population in scope of study (%)	Population in scope of fieldwork (%)
Number sampled	4,994	N/A	N/A
Ineligible	28		
In scope of study	4,966	100	N/A
Invalid cases:			
Respondent moved, untraceable	7		
Respondent not known by occupants	45		
Respondent died	9		
Total	61		
In scope of fieldwork	4905	99	100
Non-contact:			
With anyone at the address	1657		

With named person	398		
Total	2055		
Refusals:			
All information refused	14		
Personal refusal	1509		
Proxy refusal	79		
Total	1602		
Other reasons for non-interview			
Respondent away during fieldwork period	15		
Respondent incapable of interview (for example due to health problems)	249		
Inadequate English or refused interview in English	118		
Total	382		
Unused contacts	166		
Response rate	700		

Quotas and weighting

Quotas were applied to the sample for region, benefit type, and stock/flow status. Stock and flow identifies those who received SMI benefit (stock) and those who have only been newly eligible to receive the loan (flow). These quotas were applied for the majority of fieldwork, with quotas only being removed gradually from the final 77 interviews onwards.

Upon completion of fieldwork, the data was reviewed to see if it would require weighting. As quotas had been applied for the majority of fieldwork, the final data was broadly similar to the overall population for eligible SMI claimants. Therefore, it was decided to leave the data unweighted. A full breakdown of the final data compared to the total population can be seen in table 3.2, and a full breakdown of other demographic characteristics can be seen in table 3.3.

Table 3.2 Completed interviews

Quota	Completed interviews (n)	Completed interviews (%)	Population (%)
ESA	247	35	33
IS	101	14	10
JSA	26	4	5
PC	234	33	40
UC	92	13	11
Flow	118	17	14
Stock	582	83	86
East Midlands	58	8	7
East of England	48	7	8
London	58	8	10
North East	37	5	6
North West	95	14	15
South East	63	9	9
South West	55	8	8
West Midlands	97	14	10
Yorkshire and The Humber	74	11	9
Scotland	57	8	11
Wales	58	8	7

Table 3.3 Completed interviews – demographic breakdown

	Completed interviews (n)	Completed interviews (%)
Gender		
Male	271	39
Female	429	61
Age		
Under 40	44	6

40-49	117	17
50-54	96	14
55-59	95	14
60-64	91	13
65-69	73	10
70-74	97	14
75+	87	12
Ethnicity		
White British	575	82
White Irish	2	*%
Any other White background	9	1
White – Total	**586**	**84**
Mixed White and Black Caribbean	2	*%
Mixed White and Black African	1	*%
Mixed White and Asian	4	1
Any other Mixed background	3	*%
Mixed - Total	**10**	**1**
Indian	19	3
Pakistani	30	4
Bangladeshi	12	2
Any other Asian background	9	1
Asian – Total	**70**	**10**
Black Caribbean	10	1
Black African	4	1
Any other Black background	3	*%
Black – Total	**17**	**2**
Other	4	1
Prefer not to say	13	2
Religion		
No religion	212	30

Christian	379	54
Buddhist	3	*%
Hindu	14	2
Jewish	3	*%
Muslim	57	8
Sikh	6	1
Any other religion	16	2
Prefer not to say	10	1
Physical or mental health conditions or illnesses lasting or expected to last for 12 months or more		
Yes – Myself	417	60
Yes – Another household member	217	31
Yes – Total	522	75
No	164	23
Prefer not to say	14	2
Adults (18+) in household		
1	336	48
2	236	34
3+	117	17
Prefer not to say	11	2
Income earners in household		
0	457	65
1	172	25
2+	58	8
Prefer not to say	13	2
Children in household		
Yes	185	26

No	504	72
Prefer not to say	11	2
Type of mortgage		
Repayment	376	54
Interest-only	251	36
Shared ownership	16	2
Don't know	44	6
Prefer not to say	13	2
Outstanding mortgage payment		
Under £5,000	29	5
£5,000 – under £10,000	32	6
£10,000 – under £20,000	49	9
£20,000 – under £30,000	48	9
£30,000 – under £50,000	92	17
£50,000 – under £100,000	114	21
Over £100,000	80	15
Don't know	48	9
Prefer not to say	57	10
Monthly repayment amount		
Under £100	67	12
£100 – under £200	74	13
£200 – under £300	86	16
£300 – under £400	86	16
£400 – under £500	48	9
£500 – under £750	66	12
Over £750	33	6
Don't know	30	5
Prefer not to say	59	11

Outstanding mortgage term		
Under 3 years	61	11
3 years – under 5 years	53	10
5 years – under 10 years	123	22
10 years – under 15 years	104	19
15 years – under 20 years	60	11
20+ years	57	10
Don’t know	71	13
Prefer not to say	20	4

Survey design and pilot

The questionnaire was designed over several iterations to ensure it reflected the research objectives and all possible responses. As there would be a delay between generating the sample and commencing fieldwork, there was the possibility that some respondents would now be applicants or in receipt of SMI loan. Therefore, it was important that these individuals could also still respond to the survey and that questions were applicable to them. Furthermore, questionnaire development coincided with the outbreak of the coronavirus pandemic and hence fieldwork would also likely be impacted. As the research aimed to look at perceptions since April 2018, it was important that respondents thought about a longer timeframe rather than the initial period prior to fieldwork. Therefore, not only were interviewers trained to remind respondents to think about life pre-coronavirus, but questions were also tailored to account for the impact of coronavirus.

Following development of the survey, a pilot study was conducted of around 40 individuals. This pilot ensured the questionnaire was clear, accessible, and that it gathered the data and information required. Whilst the changes needed to the questionnaire on these grounds were minimal, the pilot did indicate that the survey was in excess of 20 minutes in length. Following this the data was reviewed to reduce the questionnaire length, removing the questions with the least analytical value. The final average length of interview was just in excess of minutes.

Questionnaire

Section 1: SMI Questions

Qi. Before this survey, had you heard of a Support for Mortgage Interest Loan?

1. Yes
2. No
3. Unsure

[If Qi=1]

Qii. What do you know about Support for Mortgage Interest Loans?

OPEN RESPONSE

[If Qi=1]

Qiii. When did you find out about the SMI loan?

1. Less than a month ago
2. Between a month and three months ago
3. Between three and six months ago
4. Between six months and a year ago
5. Over a year ago
6. Don’t know

A Support for Mortgage Interest Loan, also known as an SMI loan, is a loan provided by the Government that helps people who own their own home to cover the interest on their mortgages. It is only available for those who receive certain benefits, such as: Universal Credit, Pension Credit, Job Seekers Allowance, Employment and Support Allowance, and Income Support.

The loan is only repaid once the property is sold or when ownership is transferred.

Q1. Do you currently have a Support for Mortgage Interest Loan, also known as an SMI loan?

DO NOT READ, SINGLE CODE

1. Yes
2. I am applying for an SMI loan
3. No

4. Prefer not to say
5. Don’t know

[If Q1=1] Q1a. Why did you decide to take an SMI loan?

[If Q1=2] Q1a. Why have you decided to take an SMI loan?

OPEN RESPONSE

Q2. Do you remember being offered an SMI loan?

1. Yes
2. No
3. Don’t know

[If Q2=2,3]

Q3. Previously, you may have received a letter or a call about an SMI loan. This may have been from Serco or a Universal Credit agent. Do you remember receiving these communications?

1. Yes, I fully remember the communications
2. Yes, I somewhat remember the communications
3. No, I do not remember the communications
4. Don’t know

Q4. Do you currently have a mortgage?

1. Yes
2. No
3. Prefer not to say/Don’t know

[If Q4=2]

Q5. Why do you no longer have a mortgage?

1. Sold the property
2. Finished paying off the mortgage
3. Property was repossessed
4. Other - Specify
5. Prefer not to say/Don’t know

[If Q2=1 or Q3=1 AND Q1=3-5] Q10. How informed did you feel when you were offered an SMI loan?

[If Q2=1 or Q3=1 AND Q1=1-2] Q10. How informed did you feel when you were originally offered an SMI loan?

1. Very informed
2. Fairly informed
3. Not very informed
4. Not informed at all
5. Don’t know

[If Q4=1]

Q14. Can I ask how you are keeping up with your mortgage repayments?

1. Wages/salary
2. Benefits
3. Budgeting/ Cutting back
4. Help from friends and family
5. Borrowing money
6. Using mortgage protection insurance
7. Gambling/speculation
8. Other – Please specify
9. I’m not able to keep up with mortgage repayments
10. Prefer not to say
11. Don’t know

[If Q4=1]

Q15. …And has this changed over the past 2 years?

1. Yes
2. No
3. Don’t know
4. Prefer not to say

[IF Q4=1 AND NOT Q14=9]

Q16. To what extent do you agree or disagree that you will be able to continue to use this method to pay your mortgage for the next year?

1. Strongly agree
2. Tend to agree
3. Tend to disagree
4. Strongly disagree
5. Don’t know
6. Prefer not to say

[Ask Q4=1]

Q19. To what extent do you agree or disagree that you would still be able to make your mortgage repayments if you suddenly experienced an unexpected significant expense? This could be something like your boiler breaking down, for example.

1. Strongly agree
2. Tend to agree
3. Tend to disagree
4. Strongly disagree
5. Don’t know
6. Prefer not to say

[Ask Q4=1]

Q21. If you needed to borrow money to help pay for your mortgage, where would you look to borrow the money from?

1. SMI
2. Family
3. Friends
4. Credit cards
5. Overdraft facilities
6. Payday loan provider
7. Bank loan
8. Pawnbroker
9. Gambling/speculation
10. Other – Please specify
11. I wouldn’t be able to borrow any money
12. Don’t know
13. Prefer not to say

[If Q1=3-5 AND Q4=1] Q22. Based on the information you have currently, how likely would you be to take an SMI loan in the future?

[If Q1=3-5 AND Q4=2] Q22. Based on the information you have currently, if you were still eligible for SMI, how likely would you be to take an SMI loan in the future?

1. Very likely
2. Fairly likely
3. Not very likely
4. Not likely at all
5. Don’t know

[If Q22=3-4]

Q23. …And why is this?

1. Want more information about SMI loan before taking it
2. Not willing to take out a loan
3. Close to end of mortgage
4. Selling property
5. Can afford mortgage payments without SMI
6. Releasing equity
7. Loan would take too long to be approved
8. Don’t want to impact the equity of the property
9. Reluctant to add additional charge to property
10. Not willing to take out a loan from the government
11. Other – Please specify
12. Don’t know

[Ask those who received benefit]

Q28. Before April 2018, the SMI loan was a benefit. Do you remember receiving the benefit?

1. Yes
2. No
3. Don’t know
4. Prefer not to say

[If Q4=1 AND Q28=1 AND Q1=2-5]

Q29. Has losing the SMI benefit affected your ability to keep up with mortgage payments?

1. Yes – a lot
2. Yes – a little
3. No – it did not
4. Don't know/Can't remember

[If Q28=1]

Q30. What actions did you take, if any, when you stopped receiving the SMI benefit?

If necessary – Are there any other actions you took?

1. Borrowed from friends and family
2. Borrowed from a payday loan company
3. Borrowed from a bank/building society
4. Borrowed from another source – Please specify
5. Renegotiated mortgage
6. Took a mortgage holiday
7. Reduced my spending
8. Downsizing
9. Taking in a lodger/renting rooms
10. Released equity
11. Started a new job
12. Postponed retirement
13. Sold Property and Moved in to Rented Accommodation
14. Sold Property and Moved in to other accommodation
15. Other – Please specify
16. I didn't take any actions
17. Don't know
18. Prefer not to say

[If Q4=1]

Q31. Are you currently or have you been in mortgage arrears in the last two years?

If necessary – Mortgage arrears means that you are currently behind in your mortgage payments.

1. Yes
2. No
3. Don’t know
4. Prefer not to say

[If Q31=1]

Q33. Why did you fall into arrears?

1. Reduction in household income (including loss of working hours)
2. Reduction or loss of welfare benefits (excluding SMI)
3. Loss of SMI benefit
4. The introduction/roll out of Universal Credit
5. Increased mortgage costs
6. Retired
7. Increased debt repayments
8. Increased spending on children in household
9. Unexpected or high bills
10. General increase in spending/cost of living
11. Change in household circumstances (e.g. separation from partner / widowed)
12. Increased caring responsibilities
13. Losses from gambling or other speculation
14. Other reasons (please specify)
15. Don’t know
16. Prefer not to say

Q35. In the last two years, have you ever made the choice to <u>not</u> repay your mortgage to allow you to pay a different bill?

1. Yes
2. No
3. Don’t know
4. Prefer not to say
5. I finished my mortgage over two years ago

Section 2: Financial position and risk

Now we would like you to think about your household finances. We'd like to remind you that we are completely independent from DWP and all of your responses will remain completely confidential.

For the first few questions we want to ask about life before the current COVID-19 pandemic.

Q36. Prior to the ongoing COVID-19 pandemic, how well were you managing financially?

1. Managing well
2. Just about managing
3. Not managing well
4. Don't know
5. Prefer not to say

Q37. Again, thinking about life prior to the COVID-19 pandemic, over the last two years, has your personal financial circumstances improved, stayed the same, or got worse?

1. Improved
2. Stayed the same
3. Got worse
4. Don't know
5. Prefer not to say

[If Q37=3]

Q38. What are the main reasons for your financial situation getting worse?

[Prompt – Are there any other reasons?]

1. Reduction in household income (including loss of working hours)
2. Reduction or loss of welfare benefits (excluding SMI)
3. Loss of SMI benefit
4. The introduction/roll out of Universal Credit
5. Increased mortgage costs
6. Retired
7. Increased debt repayments
8. Increased spending on children in household

9. Unexpected or high bills
10. General increase in spending/cost of living
11. Change in household circumstances (e.g. separation from partner / widowed)
12. Increased caring responsibilities
13. Losses from gambling or other speculation
14. Other reasons (please specify)
15. Don't know
16. Prefer not to say

Q40. In the last two years, have you missed any mortgage repayments?

1. Yes
2. No
3. Don't know
4. Prefer not to say
5. I finished my mortgage off over two years ago

[If Q40=1]

Q41. Were any of these missed mortgage repayments prior to the current COVID-19 pandemic?

1. Yes
2. No
3. Don't know
4. Prefer not to say

Q42. Since the start of the COVID-19 pandemic and the implementation of lockdown, have your personal financial circumstances improved, stayed the same, or got worse?

1. Improved
2. Stayed the same
3. Got worse
4. Don't know
5. Prefer not to say

[If Q42=3]

Q43. What are the main reasons for your financial situation getting worse?

1. Made redundant
2. Been furloughed
3. Reduction in working hours/shifts
4. Unable to work due to lockdown
5. Increased spending on children in household
6. Higher bills (e.g. energy)
7. General increase in spending/cost of living
8. Change in household circumstances (e.g. separation from partner / widowed)
9. Increased caring responsibilities
10. Losses from gambling or other speculation
11. Other reasons (please specify)
12. Don't know
13. Prefer not to say

[Q4=1]

Q44. Since the start of the COVID-19 pandemic and the implementation of lockdown, have you taken any actions to help with your mortgage repayments?

1. Borrowed from friends and family
2. Borrowed from a payday loan company
3. Borrowed from a bank/building society
4. Borrowed from another source – Please specify
5. Renegotiated mortgage
6. Took a mortgage holiday
7. Reduced my spending
8. Downsizing
9. Taking in a lodger/renting rooms
10. Released equity
11. Started a new job
12. Postponed retirement
13. Sold Property and Moved in to Rented Accommodation
14. Sold Property and Moved in to other accommodation
15. Other – Please specify

16. I didn't take any actions
17. Don't know
18. Prefer not to say

Section 3: Profiling
We would like to ask you a few questions about yourself. These help us to make sure we have captured views from a cross section of people.

[Q4=1] Q45. What type of mortgage do you currently have?

[Q4=2] Q45. What type of mortgage did you most recently have?

1. Repayment mortgage
2. Interest-only mortgage
3. Shared ownership
4. Don't know
5. Prefer not to say

[If Q4=1]

Q46. How much do you have outstanding on your mortgage?

RECORD AMOUNT

[If Q4=1]

Q47. What is your monthly repayment amount?

RECORD AMOUNT

[If Q4=1]

Q48. How long do you have left on your mortgage term?

RECORD AMOUNT – MONTHS AND YEARS

Q50. Which of these best describes your ethnic origin?

1. White British (Including White Scottish and Welsh)
2. White Irish
3. Any other white background
4. Mixed White and Black Caribbean

5. Mixed White and Black African
6. Mixed White and Asian
7. Any other Mixed background
8. Indian
9. Pakistani
10. Bangladeshi
11. Chinese
12. Any other Asian background
13. Black Caribbean
14. Black African
15. Any other Black background
16. Other – Please specify
17. Prefer not to say

Q51. Including yourself, how many people live in your household?
WRITE IN NUMBER

Q52. How many of these are aged 18 or over?
WRITE IN NUMBER

Q53. …And how many of these are income earners?
WRITE IN NUMBER

Q54. Which of these bests describes your religion?
1. No religion
2. Christian (including Church of England, Catholic, Protestant and all other Christian denominations)
3. Buddhist
4. Hindu
5. Jewish
6. Muslim
7. Sikh
8. Any other religion

9. Prefer not to say

Q55. Do you, or does anyone you live with, have any physical or mental health conditions or illnesses lasting or expected to last for 12 months or more?

PROMPT – If yes, then who?

1. Yes – Myself
2. Yes – Another household member
3. No
4. Prefer not to say

Q57. CODE GENDER

1. Male
2. Female

Topic guide for lender interviews

Section 1: Company profiling (3 Minutes)

We are going to start by asking you some questions about your company

- First, what is your job role within your company?
- What decision-making authority do you have (which parts of the business)?
- What is the size of your company?
- How many people does it employ?
- What is the scale of your lending?

Section 2: Initial view of SMI [10 minutes]

- How have you interacted with the SMI in the past?
- How important is the SMI to your company? [If not mentioned] How many SMI claimants have you processed in the last 12 months?
- How has this changed from 24 months ago?
- Has your opinion of the SMI changed since it became a loan?
- Have you interacted with it differently since the SMI became a loan?
- How have you found the communication between the mortgage claimant and yourself, the lender?

- In your opinion, what do you think the main benefits of the SMI are?
- Are the benefits of the SMI different now that it is a loan?
- From your perspective, are there any negatives of the SMI? If so, what are they and why are they a negative?
- As a lender, do you think that claimants perceive these positives/negatives in the same way?

- In your opinion, what do you think the impact has been of the SMI changing from a benefit to a loan? (Probe to understand impact from the side of a lender and side of a claimant)
- Have you seen an increase/decrease/no change in the number of customers wanting to talk about their mortgage payments?
- Have you noticed any increase in mortgage defaults since it became a loan?

- What do you think the general opinion of the SMI is, within the mortgage lending industry?
- Is there a general consensus as to why mortgage claimants aren’t taking it up, or is it depending on a range of factors? (Probe alternative factors and how they may create a journey of benefits for each claimant)

- Do you think the low take up of SMI has been negative or positive for the mortgage industry on the whole?

Section 3: Perceived barriers SMI [5 minutes]
- From your perspective as the lender, what do you see are the main challenges faced in encouraging people to sign up to the SMI loan?
- What do they think are the main reasons a claimant might not take up an SMI loan?
- What other loans, products or resources are being used instead of the SMI? How are customers managing their mortgage payments?
- How do they compare to the SMI?
- Why are people opting to use them?
- How difficult is it to encourage customers to adopt the SMI over other loans, products or resources? Do you feel comfortable encouraging them to do so?

Section 4: Messaging and sentiment of SMI [7-8 minutes]
- What do you believe should be the overriding message that should be broadcast to borrowers? To lenders?
- Where should this messaging come from? [Mortgage lenders? The DWP? Job Centre? Supporting organizations?]
- How comfortable do you/does your organisation feel about explaining or giving the option of SMI loans to lenders?
- What, if anything, could the DWP do to improve this?
- What one thing would you ask DWP about SMI if you could?

Section 5: Improvements to SMI [5 minutes]
- From their perspective how would they change the scheme?
- If they could design a gold standard of loan, how would it look?