



HM Treasury

Mortgage Charter

June 2023

Mortgage Charter



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Foreword

Following our meetings in December and June the principal mortgage lenders have agreed to set out here the commitments they make to their regulated residential mortgage borrowers. The Financial Conduct Authority has set out actions it will take to support these commitments. I welcome their moves to support borrowers.

These measures should offer comfort to those who are anxious about high interest rates and support for those who do get into difficulty. As we have consistently shown through the pandemic, and the consequences of the war in Ukraine, we will always be on the side of households.

Tackling high inflation is the Prime Minister's and my number one priority. We are absolutely committed to supporting the Bank of England to do what it takes. We know the pressure that families are feeling. That's why we've introduced one of the largest support packages in Europe worth £94 billion, or £3,300 per household on average over this year and last.

But we will do what it takes, and we won't flinch in our resolve because we know that getting rid of high inflation from our economy is the only way that we can ultimately relieve pressure on family finances and on businesses.

A handwritten signature in blue ink that reads "Jeremy Hunt". The signature is written in a cursive, slightly stylized font.

Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer

Chapter 1

Introduction

High inflation harms everyone right across the economy, and the only way we can keep costs and mortgage rates down is to tackle the root causes of inflation. The Government is committed to halving inflation by the end of the year, and supporting the Bank of England's work to return it to 2%.

However, we recognise this is a concerning time for mortgage holders, particularly those who are due to come to the end of their existing deal in the immediate future.

Any borrower who can meet their new payments should continue to do so. This will always be the best course of action, and will always mean you pay less interest overall.

But in light of the current pressures on households, and following the commitments agreed to support borrowers in December, the Chancellor met with the UK's largest mortgage lenders, UK Finance and the FCA on Friday (23 June). At this meeting, lenders agreed to new commitments to support borrowers to help them as we go through this difficult period. It is understandable that people will be worried right now, particularly if their current mortgage deal is due to end soon.

The banks, building societies and credit unions recognise and appreciate this and there is a lot of support available. They have been working to proactively support their customers and will redouble these efforts to help borrowers through the coming months. They have already proactively contacted millions of customers to offer additional support and following the agreement of this new Charter will be taking further steps to support borrowers.

Whilst this is an uncertain time the latest market indicators (FCA; UK Finance) show that mortgage arrears and defaults remain below pre-pandemic levels, which were themselves extremely low. The FCA reported 0.86% of total residential mortgage balances in arrears in the first quarter of 2023 which is significantly lower than the 3.32% rate in 2009.

The average homeowner re-mortgaging over the last twelve months had around a 50% loan-to-value ratio. This indicates homeowners have considerable equity in their homes. Lenders have around 10% 'owner-occupier mortgages' on their books with loan-to-value rates greater than 75%, compared to around 25% before the 2008 financial crisis.

Taken together, this puts the market in a significantly stronger position than before.

But we must not be complacent. And that is why the lenders, including the nation's largest, the FCA, UK Finance, the Government and others including the Building Societies' Association have come together to provide borrowers with this Charter to give borrowers the necessary reassurance and support through these difficult times.

"Lenders recognise and understand this is an anxious time for mortgage customers and there is a lot of support available. Lenders have been contacting and supporting millions of customers and are working with the government and regulators to continue to deliver a range of support options for customers. Anyone who is worried about their finances should contact their lender to find out what options are available to help. Contacting your lender to talk about the options available will not impact your credit score."

David Postings, CEO UK Finance

"This Charter builds on the work we and lenders have done over recent years to ensure those who get into difficulty receive the support they need. The additional commitments from signatories provides customers with clarity and certainty on how they can expect to be treated."

"Mortgages remain a priority for the FCA, and we will continue to work closely with lenders to ensure borrowers are supported, as part of our work on consumers who might face financial difficulties."

Nikhil Rathi, Chief Executive of the Financial Conduct Authority

Chapter 2

The Charter

The UK's largest mortgage lenders and the Financial Conduct Authority have agreed with the Chancellor a set of standards that they will adopt when helping their regulated residential mortgage borrowers worried about higher rates.¹

No lender wants to repossess someone's home. And repossession is only done as either a last resort or when it is in the financial interests of the borrower. For this reason all lenders have an extensive range of measures that they use for customers experiencing difficulties. They will continue to use these in conjunction with the new measures agreed by the signatories to this Charter:

All lenders have agreed:

- Anyone worried about their mortgage repayments can contact their lender for help and guidance, without any impact on their credit file and we would encourage you to contact your bank who are there to help.
- Support for customers who are up-to-date with payments to switch to a new mortgage deal at the end of their existing fixed rate deal without another affordability check².
- Lenders will provide well-timed information to help customers plan ahead should their current rate be due to end.
- Lenders will offer tailored support for anyone struggling and deploy highly trained staff to help customers. This could mean extending their term to reduce their payments, offering a switch to interest only payments, but also a range of other options like a temporary payment deferral or part interest-part repayment. The right option will depend on the customer's circumstances.

Signatories to this Charter have agreed:

- From 26th June, a borrower will not be forced to leave their home without their consent unless in exceptional

¹ These commitments do not apply to Buy-to-Let mortgages

² Applies to 97% of the mortgage market, where customers are up to date with payments and not seeking to borrow more or change their repayment type or term.

circumstances, in less than a year from their first missed payment.³

- With effect from 10th July customers approaching the end of a fixed rate deal will have the chance to lock in a deal up to six months ahead. They will also be able to manage their new deal and request a better like for like deal with their lender right up until their new term starts, if one is available.⁴
- A new deal between lenders, the FCA and the government permitting customers who are up to date with their payments to:
 - Switch to interest-only payments for six months or
 - extend their mortgage term to reduce their monthly payments and give customers the option to revert to their original term within 6 months by contacting their lender

These options can be taken by customers who are up to date with their payments without a new affordability check or affecting their credit score⁵. Customers who are currently in arrears should continue to work with their lender for the support that they need.

The government confirmed it has delivered:

- action to make Support for Mortgage Interest easier to access; if you are on Universal Credit you can now receive help with your mortgage interest payments after three months
- record levels of funding for the Money and Pensions Service to provide debt advice in England

The FCA has introduced:

- new guidance clarifying how lenders can support borrowers impacted by the rising cost of living
- information for borrowers on the options and support available if they are struggling with payment

UK Finance, the trade association for mortgage lenders, will be launching a communications campaign to ensure customers know what to expect if they need support from their lender.

³ No further action will be taken if a Possession Order is granted from 26 June 2023.

⁴ Rates must be finalised two weeks before the new term starts. Six months is the maximum time lenders may offer for customers to sign up to a new deal under the Mortgage Charter. Borrowers should contact their lender to understand how far in advance their lender will be able to offer them the option to lock in a deal.

⁵ Monthly payments after the support may be higher than they otherwise would have been and overall costs over the life of the mortgage will be higher. Affordability will need to be checked if borrowers wish to permanently convert to an interest-only mortgage, or where the mortgage term is proposed to be extended beyond the borrower's expected retirement date.

Next steps

The lenders, UK finance and the FCA have committed to implementing the full Charter at pace. It is important that borrowers have access to these new measures as soon as possible. It will require changes to the FCA rulebook as well as changes to lenders' procedures. They will move quickly over the coming days and weeks to implement the Charter and will provide Government with an update on progress by Friday 30 June. The FCA will work rapidly with signatories in order to adopt the necessary rules by Friday 30 June. The FCA's Consumer Duty coming into force in July will also enable the FCA to support implementation of the Charter by its signatories.

The Prudential Regulation Authority have confirmed that the measures agreed in this Charter are not expected to lead to an immediate or automatic increase in capital requirements for banks, depending on the circumstances.

Participating mortgage lenders, led by UK Finance, will launch a communications campaign ensuring borrowers know what to expect when they contact their lender.

Lenders who have signed up to this Charter

AIB Group (UK) plc, including AIB (NI) and Allied Irish Bank (GB)

Aldermore Bank

Bank of Ireland UK

Barclays

Bath Building Society

Buckinghamshire Building Society

The Co-operative Bank, including Platform and Britannia

Coventry Building Society

Danske Bank

Darlington Building Society

Dudley Building Society Earl

Shilton Building Society

Ecology Building Society

Family Building Society

Furness Building Society

Glasgow Credit Union

Hinckley & Rugby Building Society
HSBC, including First Direct
Kensington Mortgage Company
Leeds Building Society
Leek Building Society
Lloyds, including Halifax and Scottish Widows
Loughborough Building Society
Mansfield Building Society
Melton Mowbray Building Society
Metro Bank
Monmouthshire Building Society
Nationwide Building Society
Natwest, including RBS and Ulster Bank
Newbury Building Society
Newcastle Building Society, including Manchester Building Society
Nottingham Building Society
OSB Group plc, trading as Precise Mortgages and Kent Reliance
Perenna
Principality Building Society
Progressive Building Society
Santander
Scottish Building Society
Skipton Building Society
Spring Financial Group Limited, including MPowered Mortgages
Suffolk Building Society
Teachers Building Society
Tipton & Coseley Building Society
TSB, including Whistletree
The Vernon Building Society
United Trust Bank Limited
Virgin Money, including Clydesdale Bank and Yorkshire Bank
West Bromwich Building Society
Yorkshire Building Society

These lenders represent approximately 90% of the mortgage market.

Other lenders will continue to provide tailored support to vulnerable borrowers, including options that may be similar to the flexibilities permitted under this Charter. Any borrower who is concerned about their mortgage repayments with lenders who have not signed up to this Charter should contact their lender or visit their website to see what support may be available.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk