

Mortgage Arrears and Possessions



Release date: 11 February 2021

UK Finance: Mortgage Arrears and Possessions Update Quarter 4 2020

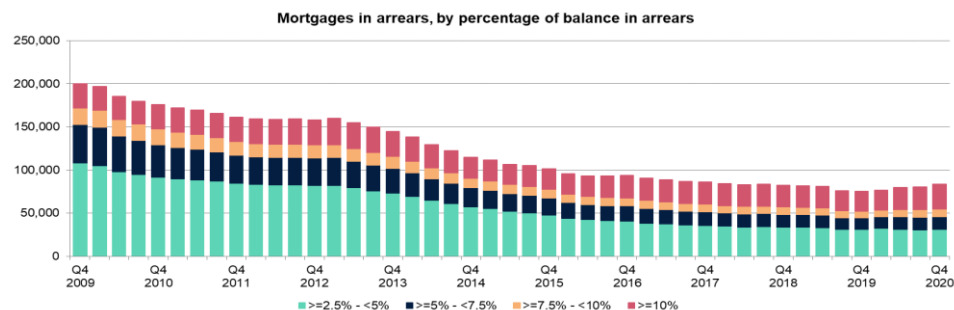
As a direct result of payment deferrals and other tailored forbearance, mortgage arrears levels in 2020 remain near to the historically low levels that we have seen in the last three years, as shown in the chart below. Our blog (<https://www.ukfinance.org.uk/news-and-insight/blogs/if-you-are-worried-about-paying-your-mortgage-speaking-your-lender-early-key>) outlines how the supports available to customers have influenced the arrears and possessions figures. Since March 2020, mortgage lenders have been offering payment deferrals to customers and buy-to-let landlords where Covid-19 has impacted their ability to meet their monthly mortgage payments. 130,000 mortgage payment deferrals were in place at the end of December 2020, broadly stable since late October but down from a peak of 1.8 million in June 2020. Approximately 8 in 10 have returned to making their mortgage payments.

This means that mortgage payment deferrals have supported customers who were not in financial difficulty at the beginning of the pandemic to remain out of arrears, as borne out in the data. There were a total of 77,410 homeowner mortgages in arrears of 2.5 per cent or more of the outstanding balance in the fourth quarter of 2020, an increase of 2,560 on the previous quarter. Within the total, there were 28,400 homeowner mortgages in early arrears (those between 2.5 and 5 per cent of balance in arrears), an increase of only 2 per cent on the previous quarter. Earlier in 2020, the number of mortgages in early arrears increased in Q1 2020, largely due to early payment difficulties prior to payment deferrals being introduced. However, since then, payment deferrals has allowed borrowers who had found themselves in early arrears to pay these off and prevented additional borrowers from going into arrears. This resulted in a decline in early homeowner arrears in the following two quarters of 2020, larger than the increase seen in Q1. While the number of these early arrears has increased slightly by 490 cases in Q4 2020, this is lower than the number of cases before the Covid-19 pandemic began. We anticipate that the number of early arrears will increase further once the furlough scheme ends and the economic impacts of the pandemic are realised.

Within the total, there were 26,660 homeowner mortgages with more significant arrears (representing 10 per cent or more of the outstanding balance), an increase of 1,800 on the previous quarter. This figure has slowly increased throughout 2020 but from a low base. These increases are largely driven by customers who had several missed payments before the pandemic. These borrowers may have made use of the full six months of payment deferrals and are most likely receiving or, in need of, the help available through lenders' tailored forbearance support.

There were a total of 5,840 buy-to-let mortgages in arrears of 2.5 per cent or more of the outstanding balance in the fourth quarter of 2020, an increase of only 440 on the previous quarter. The recent small increases in buy-to-let arrears from a low base are again due to the Covid-19 pandemic. Lenders are continuing to support customers through payment difficulties resulting from Covid-19. Customers are encouraged to contact their lender early to seek help.

Only 140 homeowner mortgaged properties and 190 buy-to-let mortgaged properties were taken into possession in the fourth quarter of 2020. 2,660 mortgages were taken into possession in total in 2020. The industry moratorium on involuntary possessions remains in place until 1 April 2021, 12 months after it began. Therefore, the low possessions numbers in 2020 for the most part reflect cases where the customer requested the possession to go ahead or where the property was vacant. Possessions will increase in 2021 driven by the backlog that did not occur in 2020 due to the possessions moratorium, almost all of which will have been in train before the pandemic. Lenders continue to show flexibility to borrowers in financial difficulty and possession is always a last resort.



Commenting on the data, Eric Leenders, Managing Director of Personal Finance at UK Finance, said:

"Whilst the data shows a relatively small increase in the total number of all arrears from the historic low levels seen in 2019, the support available from lenders has meant those who were not in financial difficulty at the beginning of the pandemic have remained out of arrears. Despite the modest uptick, the total number of customers in the early stages of arrears in Q4 2020 remains below the level seen at the end of 2019.

"As Covid-19 continues to affect the economy, we anticipate there will be further increases in mortgage arrears during 2021. Lenders continue to help customers experiencing financial difficulties with a package of support for those who need it, including payment deferrals and tailored assistance. Additionally, the industry fully supports the moratorium on possessions which remains in place until 1 April 2021 to keep customers safe in their homes during national lockdowns. It is essential that customers who are concerned about their finances contact their lender early to discuss the options and support available to them."

Notes to Editor

1 For more information please call the UK Finance press office on 020 7416 6750 or mail press@ukfinance.org.uk.

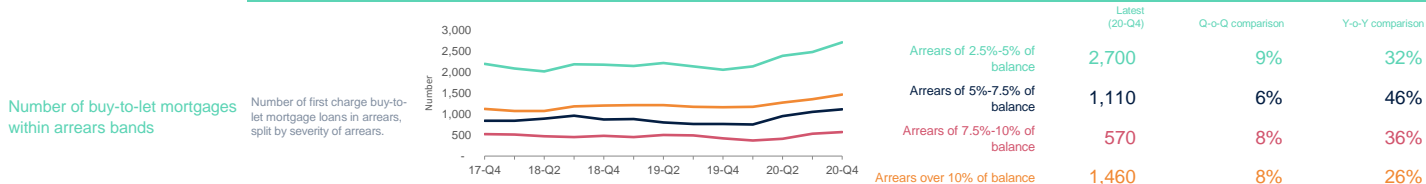
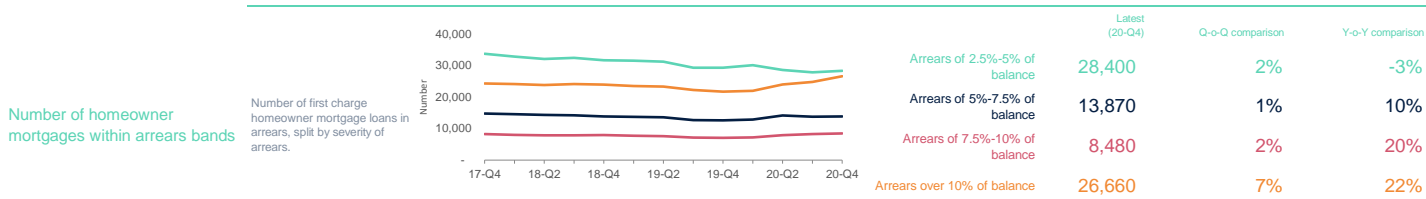
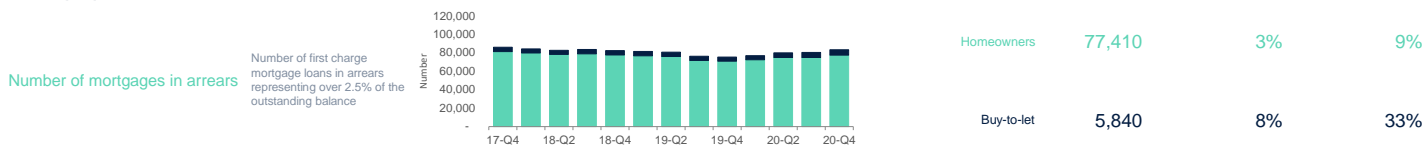
2 UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

- 3 Following material changes to the mortgage market as a result of the Covid-19 pandemic, UK Finance has reformatted the Mortgage Arrears & Possessions update to focus on and include quarter-on-quarter movement in the data, in addition to year-on-year movement. This change has been made in order to accurately represent recent changes in the market and to make fewer comparisons to markets in materially different circumstances.
- 4 The latest published statistics for covid-19 related payment deferrals can be found here: <https://www.ukfinance.org.uk/press/press-releases/Lenders-continue-commitment-to-supporting-mortgage-customers-into-2021>
- 5 It is important to note that if a customer who is already in arrears takes a payment deferral, those arrears will not increase while the deferral is in place. However, these customers will still be captured within our figures and, once they exit the deferral, any subsequent missed payments would give rise to increases in the arrears balance as normal.
- 6 The data shown are for first charge mortgages only. Figures are reported by most UK Finance mortgage members and presented here on a grossed-up basis from that sample to reflect total market size.
- 7 Arrears and possessions figures are for the UK as a whole. There is no breakdown of data for English regions or for individual countries in the UK.
- 8 The Ministry of Justice publishes mortgage and landlord possession statistics, which can be found here: <https://www.gov.uk/government/collections/mortgage-and-landlord-possession-statistics> . These include quarterly national statistics on possession claim actions in county courts by mortgage lenders and social and private landlords.

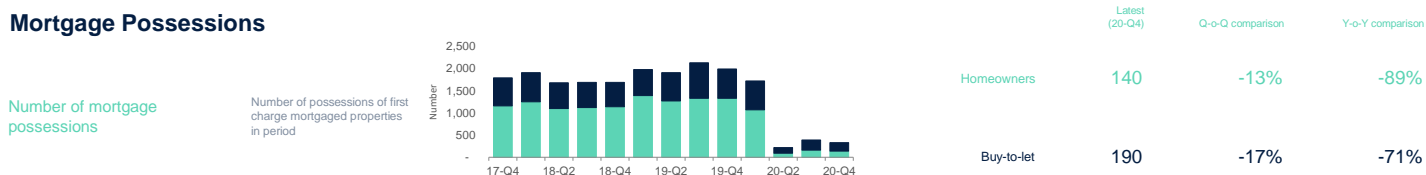
Next update:

13 May 2021

Mortgage Arrears



Mortgage Possessions



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Mortgages outstanding (000s)		17-Q4	18-Q1	18-Q2	18-Q3	18-Q4	19-Q1	19-Q2	19-Q3	19-Q4	20-Q1	20-Q2	20-Q3	20-Q4	Source table
Number of mortgages outstanding (000s)	Homeowners	9,110	9,080	9,070	9,050	9,030	9,020	9,030	9,010	9,040	9,020	8,990	8,980	9,000	AP2
	Buy-to-let	1,890	1,890	1,900	1,910	1,920	1,930	1,930	1,940	1,950	1,970	1,970	1,980	1,990	AP2
Mortgages in arrears (number)		17-Q4	18-Q1	18-Q2	18-Q3	18-Q4	19-Q1	19-Q2	19-Q3	19-Q4	20-Q1	20-Q2	20-Q3	20-Q4	Source table
Arrears of 2.5%-5% of balance	Homeowners	33,810	32,900	32,140	32,500	31,730	31,610	31,320	29,380	29,380	30,170	28,670	27,910	28,400	AP2
	Buy-to-let	2,190	2,080	2,010	2,180	2,170	2,140	2,210	2,130	2,050	2,130	2,380	2,470	2,700	AP2
Arrears of 5%-7.5% of balance	Homeowners	14,810	14,590	14,380	14,260	13,900	13,730	13,620	12,730	12,640	12,920	14,180	13,800	13,870	AP2
	Buy-to-let	840	840	890	960	870	880	800	760	760	750	950	1,050	1,110	AP2
Arrears of 7.5%-10% of balance	Homeowners	8,290	8,000	7,870	7,880	7,970	7,760	7,630	7,180	7,080	7,220	7,920	8,280	8,480	AP2
	Buy-to-let	520	510	470	450	480	450	500	490	420	370	410	530	570	AP2
Arrears over 10% of balance	Homeowners	24,380	24,180	23,850	24,180	24,020	23,540	23,390	22,300	21,770	22,040	24,060	24,860	26,660	AP2
	Buy-to-let	1,120	1,070	1,070	1,180	1,200	1,210	1,210	1,170	1,160	1,170	1,270	1,350	1,460	AP2
All arrears of over 2.5% of balance	Homeowners	81,290	79,670	78,240	78,820	77,620	76,640	75,960	71,590	70,870	72,350	74,830	74,850	77,410	AP2
	Buy-to-let	4,670	4,500	4,440	4,770	4,720	4,680	4,720	4,550	4,390	4,420	5,010	5,400	5,840	AP2
Mortgages in arrears (% of mortgages outstanding)		17-Q4	18-Q1	18-Q2	18-Q3	18-Q4	19-Q1	19-Q2	19-Q3	19-Q4	20-Q1	20-Q2	20-Q3	20-Q4	Source table
Arrears of 2.5%-5% of balance	Homeowners	0.37%	0.36%	0.35%	0.36%	0.35%	0.35%	0.35%	0.33%	0.33%	0.33%	0.32%	0.31%	0.32%	AP2
	Buy-to-let	0.12%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%	0.14%	AP2
Arrears of 5%-7.5% of balance	Homeowners	0.16%	0.16%	0.16%	0.16%	0.15%	0.15%	0.15%	0.14%	0.14%	0.14%	0.16%	0.15%	0.15%	AP2
	Buy-to-let	0.04%	0.04%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	0.04%	0.04%	0.05%	0.05%	0.06%	AP2
Arrears of 7.5%-10% of balance	Homeowners	0.09%	0.09%	0.09%	0.09%	0.09%	0.09%	0.08%	0.08%	0.08%	0.08%	0.09%	0.09%	0.09%	AP2
	Buy-to-let	0.03%	0.03%	0.02%	0.02%	0.03%	0.02%	0.03%	0.03%	0.02%	0.02%	0.02%	0.03%	0.03%	AP2
Arrears over 10% of balance	Homeowners	0.27%	0.27%	0.26%	0.27%	0.27%	0.26%	0.26%	0.25%	0.24%	0.24%	0.27%	0.28%	0.30%	AP2
	Buy-to-let	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.07%	0.07%	AP2
All arrears of over 2.5% of balance	Homeowners	0.89%	0.88%	0.86%	0.87%	0.86%	0.85%	0.84%	0.79%	0.78%	0.80%	0.83%	0.83%	0.86%	AP2
	Buy-to-let	0.25%	0.24%	0.23%	0.25%	0.25%	0.24%	0.24%	0.23%	0.23%	0.22%	0.25%	0.27%	0.29%	AP2
Mortgage possessions (number)		17-Q4	18-Q1	18-Q2	18-Q3	18-Q4	19-Q1	19-Q2	19-Q3	19-Q4	20-Q1	20-Q2	20-Q3	20-Q4	Source table
Homeowners	Homeowners	1,160	1,250	1,100	1,120	1,140	1,390	1,270	1,330	1,330	1,070	90	160	140	AP4
	Buy-to-let	630	660	580	570	550	590	640	800	660	650	130	230	190	AP4

UK Finance publishes aggregate information on mortgages based on data supplied by our members, and grossed up to estimate total market size.

Source data tables are available to UK Finance members or data associates from www.ukfinance.org.uk/industry-data-tables.

For information or enquiries, please contact ukfstatistics@ukfinance.org.uk

For media enquiries, journalists should contact press@ukfinance.org.uk

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