

---

## Briefing Paper

# Support for Mortgage Interest Scheme

**Portfolio Holder: Cllr Barbara Brownridge - Lead Member for Neighbourhoods and Co-operatives**

**Executive Director: Helen Lockwood - Executive Director Economy, Skills & Neighbourhoods**

**Report Author:** Ann-Marie McGinn, Principal Homelessness Strategy Officer

**Ext:** 5148

**28 March 2018**

---

---

## 1.0 Background

### 1.1 Council Motion related to Support for Mortgage Interest Scheme

This Council notes that:

- The Government have recently announced that the Support for Mortgage Interest Scheme (or SMI), administered by the Department of Work and Pensions, will come to an end on 5 April 2018.
- Homeowners who are on a qualifying benefit for long enough can currently receive help towards the interest charges on a mortgage or eligible home improvement loan.
- From 6 April 2018, new and existing claimants will instead be offered SMI loans; there will be no transitional protection.
- If a loan is not accepted, SMI will end and claimants will start to accrue mortgage arrears, putting their home at risk.
- If the loan is accepted, homeowners will have to repay the loan, including accrued interest if there is sufficient equity, once the property is sold or ownership is transferred.
- The Department for Work and Pensions has estimated that of the 140,000 households currently receiving SMI around 50% are of pension age.

Council is concerned that:

- Such claimants will end up being in further debt should they choose to participate in the new scheme.
- Other claimants who do not take up the loan may find themselves in mortgage arrears and be evicted.

- 
- There is no transitional protection scheme for existing claimants.
  - As claimants fall into more debt, or are faced with homelessness, they will make a greater call on Council services and those provided by partner agencies (such as the Oldham Food Bank) placing these under greater strain.

Council believes that the proposals are grossly unfair as:

- Tenants living in social or private rented housing can receive housing benefit payments that are greater than those made to homeowners through SMI.
- Existing claimants are immediately affected without being offered access to transitional protection.
- Older homeowners with an interest-only mortgage will be hardest hit.

## **2.0 Council Motion**

The following motion was agreed at Council on 8 November 2017:

2.1 Ask the Chief Executive to write to the Minister responsible outlining our concerns and objections, and to our three local MPs asking them to make representations on this matter.

### **Response:**

The Chief Executive has written to the Minister as requested.

The Chief Executive has written to the MPs as requested.

2.2 Ask the Cabinet Member responsible to ask officers to draw up a briefing paper for Councillors identifying what the impact of these changes will be in Oldham and what actions can be taken by the Council and its partners to mitigate them.

### **Response:**

Colleagues in the Business Intelligence Team drafted a Briefing Paper entitled 'Replacement of Support for Mortgage Interest Benefit with a Secured Loan' in December 2017. This paper is attached at Appendix 1 and provides background to the change along with projections of the number of people affected in Oldham, potential impacts and transitional provisions that are in place. This paper should be updated if further information becomes available.

The projections are very high level and based on national estimates. Despite numerous contacts with colleagues locally within the Department for Work and Pensions (DWP) it has not been possible to obtain more detailed or specific information relating to Oldham. That such information is not available is confirmed in the letter from Caroline Dineage MP, Minister for Family Support, Housing and Child Maintenance in her letter to the council Chief Executive. Within this she states that 'robust numbers of SMI claimants at a constituency level are unavailable'. Without the

---

mechanism to obtain this information it is not possible to properly understand fully the impact for Oldham or undertake any direct contact with residents potentially affected.

The recent letter from the Minister suggests that the changes will affect 124,000 people nationally which the BI Team state relates to approximately 500 people in Oldham. Of these approximately 260 people will be of pension age and 190 will have dependent children.

The Council noted concern that claimants will end up in further debt should they choose to participate in the scheme. The loan from the DWP is applied in the form of a second charge against the property. This will mean that equity will reduce. The DWP confirm that if the equity available within the property after any sale is less than the amount owed, the balance will be written off.

The DWP state that the amount to be paid as a loan will be the same as would have been received as a benefit and paid in the same way to mortgage providers. On this basis lenders should not be more likely to take possession action than is currently the case as long as any other payments in respect of the property are maintained. DWP assumptions are that people of pension age will typically accumulate their loan at a lower rate (on the basis that outstanding capital typically falls with age) and therefore will be less impacted by the changes. Without more detailed information it is not possible to see whether this is the case.

The DWP have advised that all claimants will be notified by letter before February 2018. The letters will request that all claimants make contact to discuss their particular situation over the telephone. Serco run a number of telephone services on behalf of DWP and they will be dealing with calls on these matters. If the claimant fails to make contact, Serco will seek to make positive contact with the claimant within 3 weeks of the letter being sent out. Serco can provide information to the claimant regarding their options but it is up to the claimant to make the decision regarding whether or not to move to the loan payments.

Of potentially greater risk in respect of repossession are the people who do not take up the loan due to concerns regarding reducing levels of equity and who cannot then make payments, or those who do not fully understand what they need to do to ensure payments continue. There is also concern that some very vulnerable people will be placed under stress. Some people may only realize something has changed when they receive arrears notifications from mortgage providers. All lenders are required to notify the local authority where they are seeking to repossess a residential home. This gives the local authority the opportunity to contact the homeowner and as standard this takes place. A letter is sent to the resident providing information about sources of help and advice, in particular the Oldham Housing and Advice Service with First Choice Homes Oldham and Oldham CAB.

The changes may also lead to enquiries being raised with the Council about whether any alternative support is available towards payment of housing costs, for example, Housing Benefit (HB) or Discretionary Housing Payment (DHP). It will be important that staff in these areas are aware of the changes and able to direct residents to sources of further advice. It is suggested that an information sheet will be drafted for all staff working in front line agencies who may be in contact with residents affected by these changes. A draft information sheet for advisors is attached at Appendix 2.

---

Contact has been made with colleagues at Oldham Citizens Advice Bureau (CAB) and they state that contact regarding this issue has been very low. They have stated that they have received 16 enquiries regarding SMI during the last 6 months. Colleagues in the Welfare Rights Service have advised that they have not received any enquiries, similarly with Age UK. The council should promote that these agencies may be able to provide information and advice on these changes. A draft information sheet is attached at Appendix 3.

### **3.0 Actions:**

1. BI Team to update Briefing Paper if further information becomes available regarding numbers impacted by these changes in Oldham.
2. Council to continue to make contact with all residents where lender has notified that residential possession proceedings are due to commence.
3. An information sheet to be drafted and circulated for all staff working in front line advice agencies notifying of changes and sources of help and advice for residents
4. An information sheet to be drafted for residents which publicizes sources of help and advice through council networks, social media, Family Information Service, Oldham Prevention Alliance, etc.