What do I do if I can't pay my mortgage?
Video transcript

0:03 Lisa Macmillan Financial Guide I can't pay my mortgage. What do I do? This is one of the questions that people often ask us on the Macmillan Support Line.

I'm Lisa and I'm a Financial Guide at Macmillan. Living with cancer can change how much money you have available to spend each month. If you are worried about keeping up with your mortgage payments, it is important to contact your mortgage lender straight away. They can talk to you about your personal circumstances and explain the options available to you.

0:27 Here are some top tips when contacting your mortgage lender.
Number one. When you contact your lender, ask if they have a specialist team to help vulnerable people. If they do, you can ask to speak with them. They are trained to support people in difficult situations.

0:45 Number two. It always helps to be prepared, so when you contact your lender make sure you have the details of your income and outgoings with you.

This could include recent payslips or benefits award letters, and details of your household expenses like energy bills and council tax. This will help them to understand your situation better.

They will also need to know the details of any recent claims you have made on insurance policies.

1:16 Number three. If you can't pay the full amount, you may be able to pay something towards your mortgage payments. Be prepared to tell your lender how much you think you can afford.

1:25 Options for managing your mortgage payments
There are various options that your lender may be able to offer you to help you manage your mortgage payments, and we will talk you through five of those options now.

Interest only payments.
For many people, your monthly payment includes an amount towards repaying your loan (the capital you borrowed) and an amount for interest. Your lender may suggest that you move to an interest only payment for an agreed period of time. This means that you only pay the interest part.

The benefit of this is that your monthly payments will go down, but your outstanding mortgage balance, which is the total value of your loan, will stay the same instead of reducing. You will still need to repay this at the end of your mortgage term.

Interest only payments can help in the short term, but when you change back to your regular capital and interest payments again, the amount you pay each month will be higher than it was.

Your lender can explain your options for catching up on the missed payments towards your loan.

2:26 Reduced payments
Your mortgage lender will usually ask for your income and outgoings first to see what you can afford to pay. Once they understand this, they may let you make reduced payments for an agreed period of time.

The benefit of reduced payments is that you'll get some breathing space. But interest will still be charged on your mortgage balance. When you change back to your regular payments again, the amount you pay each month will be higher than it was.
Your lender can help you to understand how much this might be.

2:57 Payment holiday.
Some mortgage lenders may let you take a payment holiday. A payment holiday is where you miss an agreed number of monthly payments altogether.

In some cases this can be for up to six months. It is important to remember that interest will still be charged on everything that you owe and that your mortgage balance, as well as your payments, may go up at the end of the payment holiday.

3:21 Longer mortgage term
Your mortgage term is the number of years over which you repay your loan. A longer mortgage term can reduce your monthly payments, but it will increase the total amount of interest you pay because you will have the loan for longer.

If you extend your mortgage term past the normal age for retirement, you will need to consider how you would keep up with your repayments once you have retired.

3:48 Changing your interest rate.
Finally, your lender may see if it is possible to change the interest rate that you pay.
A lower rate means your monthly payments go down. You can change your interest rate by switching to a different mortgage deal with your current lender, or by moving to a new lender.

Before changing anything, it is important to check if your current deal has an Early Repayment Charge. This is a penalty fee that you must pay if you leave your deal earlier than agreed.

Some of these options are short term. It is important that you understand what will happen to your mortgage payments once they finish. It is also important to ask your lender how any of the options they offer you might affect your credit rating.

4:30 We hope this video has answered your questions today. If you would like more information, support, or just someone to talk to, please call us free on 0808 808 00 00.
Thank you.