

STATES OF JERSEY



MORTGAGE REPAYMENT ASSISTANCE (P.48/2023): COMMENTS

Presented to the States on 13th July 2023
by the Chief Minister

STATES GREFFE

COMMENTS

Ministers share the concerns raised by Deputy Southern in his proposition regarding the impact of increasing mortgage interest rates. The Cost-of-Living Strategy group had already agreed, in June, to write to all major local mortgage providers. This action pre-dates the lodging of this proposition. These letters have now been sent, and a copy of this letter can be found in the appendix to this Comment. As Ministers are aware of a significant amount of independent lenders, the letter was also communicated to the media and was widely reported by them.

To date, two responses have been received to this letter. Both responses provided reassurance to Ministers that large mortgage lenders are working pro-actively with mortgage holders, for example, by contacting them before their fixed rate mortgage ends and discussing options with them. Both responses confirmed that mortgage arrears remained very low and neither response indicated a need for further support or action from Government.

Separately, officers continue to monitor the effect of Base Rate rises on the residential mortgage market. A large proportion of residential mortgages in Jersey were taken on fixed rate terms; and of these the majority were for 5 years. Consequently, we understand that relatively few mortgage holders are facing increased mortgage rates at present.

Conversations with lenders have provided some reassurance. Firstly, lenders “stress-test” applicants’ ability to re-pay mortgages, prior to the mortgage being agreed, on higher interest rates (e.g. 6.5%). Secondly, all major lenders have reassured officers that they will work with any mortgage holder struggling with their mortgage repayments. We believe that repossession of a borrower’s home is a last resort for bank lenders. Officers will continue to monitor the market.

As a result of the work that has already been undertaken by Government, we believe that P.48/2023 is already obsolete, and we ask members to reject it.

Re-issue Note

These comments have been re-issued to fix an administrative error with the name of the Minister presenting the comments, and the absence of the Appendix (below).

Appendix: Letter sent to lenders on the 30th June 2023

By email

30th June 2023

Dear

Support measures for mortgage holders

Jersey, like the UK, is facing a period of high inflation. The Council of Ministers is closely monitoring the situation, including the impact of mortgage rate rises on Islanders.

Ministers recognise the efforts taken by the UK Government and Bank of England to combat inflation to return it to the target rate by raising interest rates. We have noted that the UK Government together with lenders and the UK regulator have recently announced an industry commitment, under the mortgage charter^[1]. The charter aims to support those residential mortgage holders worried about higher interest rates or facing the risk of repossession (see annex).

The increase in interest rates will also bring difficulty and concern to Jersey households who hold residential mortgages on a variable or tracker rate as well as those whose fixed rate term is coming to an end.

Accordingly, we would welcome confirmation, by response, that Jersey lenders, in a similar manner to UK institutions, will also work with any households holding mortgages secured over their primary residence who are struggling with or worried about higher mortgage repayments, and that repossession action will not be commenced, unless all other options have been exhausted. Such options may include extending the term of mortgages to reduce monthly payments or the provision of repayment 'holidays' for short periods to enable affected islanders time to restructure their finances during such a difficult period.

We have confidence that the industry locally will act with its usual prudence and due care; and look forward to the industry's continued support and engagement on this, and other matters.

I am copying this letter to the Jersey Financial Services Commission, Jersey Bankers Association and Jersey Finance.

I have also taken the opportunity to publish this request to ensure that all lenders of mortgage-type security are aware of Government expectations.

Yours sincerely,

Assistant Chief Minister with responsibility for Financial Services.

Annex: Extract from the UK mortgage charter

- Anyone worried about their mortgage repayments can call their lender for information and support, without any impact on their credit score and we would encourage you to contact your bank who are there to help.
- Customers won't be forced to have their homes repossessed within 12 months from their first missed payment.
- Customers approaching the end of a fixed rate deal will be offered the chance to lock in a deal up to six months ahead. They will also be able to apply for a better deal right up until their new term starts, if one is available.
- A new agreement between lenders, the FCA and the government permitting customers to switch to an interest-only mortgage for six months, or extend their mortgage term to reduce their monthly payments and switch back to their original term within the first six months, if they choose to. Both options can be taken without a new affordability check or affecting their credit score.
- 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 check.
- Providing well-timed information to help customers plan ahead should their current rate be due to end.
- 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.

^[1] The [UK Mortgage Charter](#) published on 26 June 2023