



Poverty Premium: *'It costs more to be poor'*



Jill Hulme | 26th July 2020

Introduction

The UK Mortgage Prisoners Facebook group now has over 3400 members. These members all have their own individual stories of being a mortgage prisoner but, over time, it has become clear that there are many similarities both in how they have been treated and their experiences - particularly when it comes to their finances.

Being a mortgage prisoner, trapped on high interest rates and thus paying extortionate monthly mortgage payments, often leaves very little money for day-to-day living inevitably leaving families caught in the 'poverty trap'.

A survey was presented to the group to gain more knowledge on members thoughts on the Poverty Premium of which we had 331 responses.

SURVEY FINDINGS:

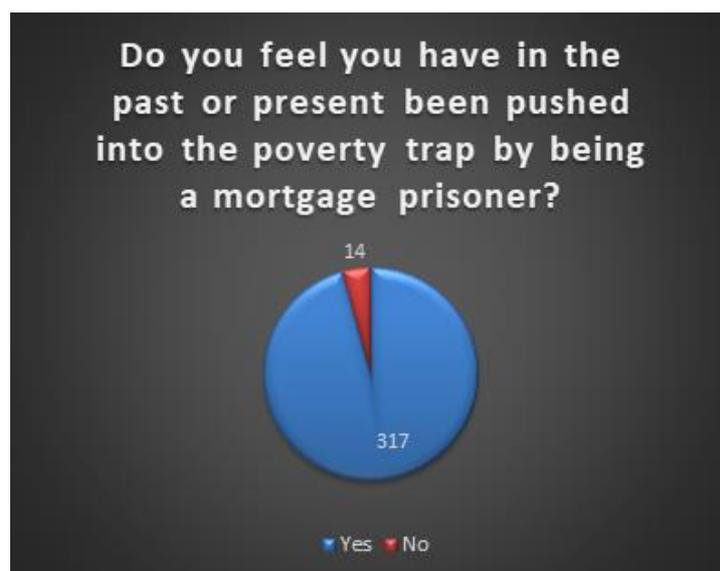


Fig.1.

It is clear to see from the first question that out of the 331 responses 96% felt they had, either in the past or present, been forced into the poverty trap.

Of the 4% that didn't one response cited that they had *'avoided it due to being single with no dependents.'*

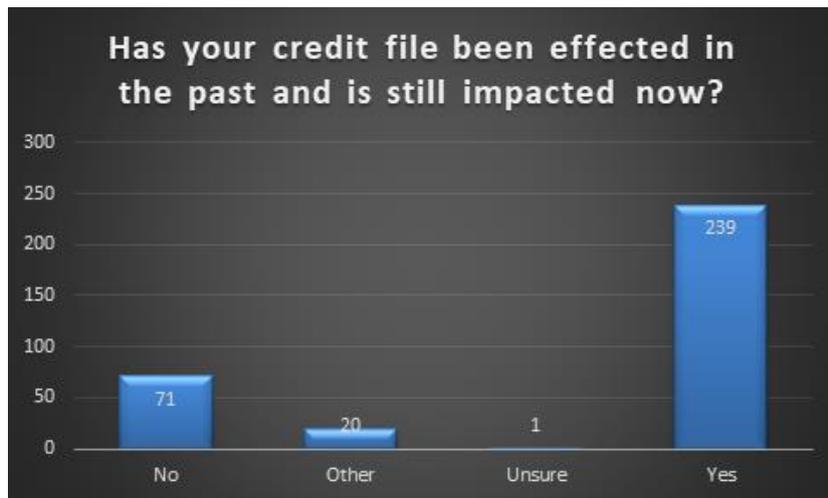


Fig.2.

One common theme amongst the Mortgage Prisoner Facebook group is the damage to members' credit files. This, in many instances, would appear to be due to false recordings made by the mortgage lender/ administrator. Not only does this cause a great deal of stress and time to fix but also decreases the opportunities available for access to cheaper, more affordable services. With a negative impact on a credit file, this subsequently causes problems in obtaining any form of credit, (see Fig.6). Fortunately, 329 responses of our 331 had been able to obtain a bank account, the other 2 stating they had been unable to access a high street bank account, (see Fig 7).



Many mortgage prisoners, in their desperation, find that turning to credit cards, loans and pre-payment plans are their only option. This is prevalent in the results from the graph below (fig. 3). Responses showed 78% of members had been forced to use

expensive credit facilities to be able to pay for bills and daily life essentials. Although using high interest rate credit serves as a necessary short-term fix in paying for an essential household appliance or bill, it ultimately renders the mortgage prisoner paying, often, more than double back to the lender over a longer period of time.

In other responses mortgage prisoners commented that they felt they had been able to avoid using high interest credit due to receiving *'inheritance'* and *'help with contributions from friends and family'*.

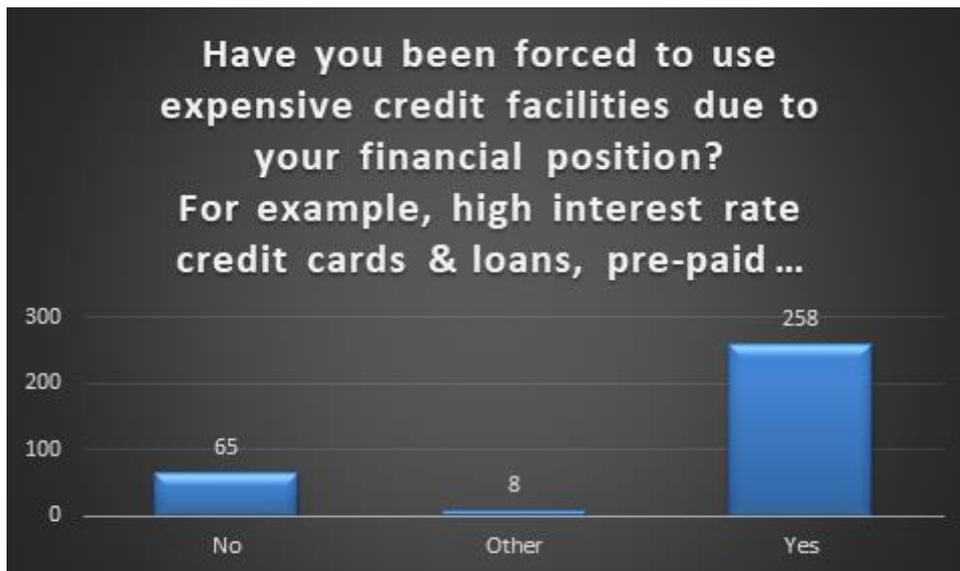


Fig.3

It is clear from several of the questions posed in the survey that mortgage prisoners are generally up to date with utility bills but have found this to be a daily struggle. In most cases, to be able to keep on top of everything and because credit records are already impacted or low, many have resorted to using expensive credit options as their only option. Many members have also completed, or are currently, in a debt management plan or have established their own repayment plan. (see Fig. 8; 9; 11; and 14)



When asked whether they felt that the whole credit scoring system was outdated, 77% agreed with this statement whilst one respondent stated, *'...it's unfair you are still punished for a missed payment from years ago'*. (see Fig.12)

The issue for mortgage prisoners has been ongoing for over a decade and members report their years of struggling daily in being able to maintain their household and support their families.

The crippling, high monthly mortgage payments that must be paid often leaves very little left other than for essentials e.g. food and bills. This transpires to the issues of being unable to attend to house maintenance, repairs or updating.

Mortgage prisoner members responded this issue as follows:



'My house needs so much work doing to it which I can't afford'

'I just keep patching up repairs where I can'

'I haven't got the money to replace my old boiler. We are paying huge energy costs because it doesn't run efficiently'

This represents a further example of where mortgage prisoners can fall into the poverty trap; old windows which needing replacing will increase the energy costs of trying to heat a home, thus putting more pressure on already stretched monthly expenses.

As the graph shows this is typical of around **71%** of our respondents.

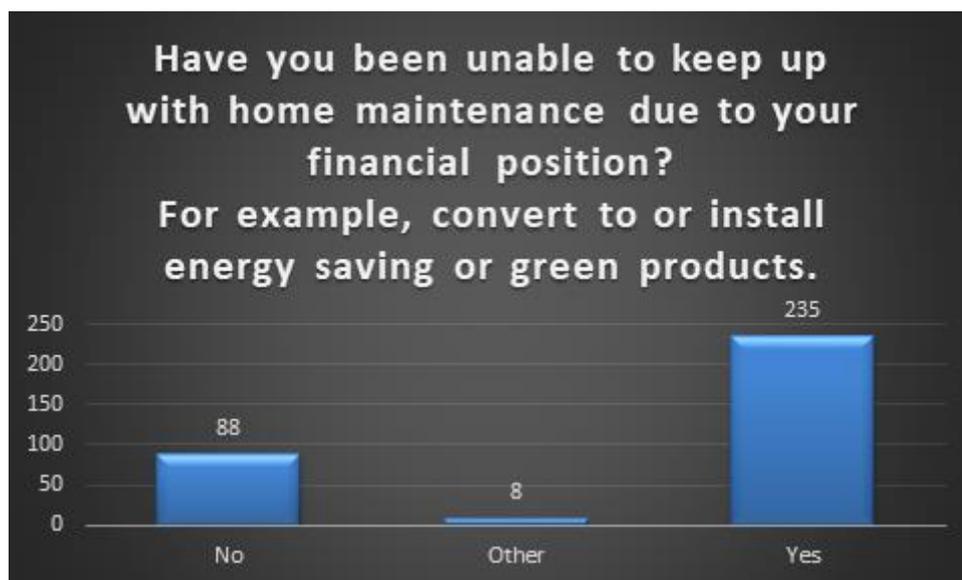


Fig.4



The impact on mortgage prisoners' mental health is a major concern. This issue was reported on in January 2020 in response to a survey on the Facebook group.

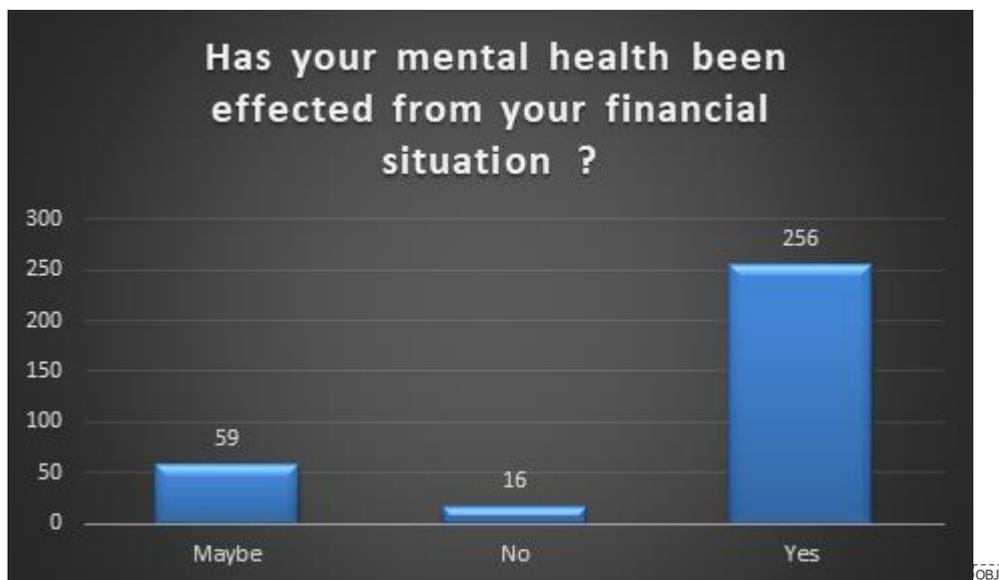


Fig.5

We can see from the results in the graph from this more recent survey that mental health is still very much a predominant issue. It is a distressing statistic that demonstrates just over 77% of the respondents are experiencing stress and anxiety due to being trapped paying high monthly mortgage payments alongside the constant fear of losing their home.

Often, when suffering with mental health issues, dealing with finances can become overwhelming. This is where the Poverty Premium cycle can begin and ultimately becomes an increasing downward spiral for mortgage prisoners who are already vulnerable; the costs to survive daily life go up which, in turn, heightens mental and physical health issues and many other symptoms.

Members reported their fear of the effects on their children growing up in a mortgage prisoner home. They cite the feelings of guilt and anxiety from knowing that their children have missed out on opportunities in both their education and social life (Fig.10)

Finally, the survey asked for a short synopsis of the member's experiences of being a mortgage prisoner.

Below are just a few examples of the respondents' replies:

'It has meant that I have been working tirelessly to afford to just about scrape by. No holidays, no luxuries, no credit unless it's a very high interest rate. I've not been able to maintain my home, I have no central heating, some rooms have no carpet. The bathroom is 30 years old and functions poorly. I avoid socialising so I don't have to invite anyone into my home, I even worried the health visitor wouldn't allow me to bring my baby home from hospital as my house is so unkempt.'

'As a single mum trapped in a high cost mortgage, I've had to sacrifice many things in the last 10 years. We have never had a holiday, and at one point I had to sell everything and anything just to get by. This included my grandmother jewellery which was an incredibly low point. I have always worked and have a good job however I'm stuck with an interest only mortgage which I will never pay off.'

'I honestly feel that although I have tried to do my best to ensure my children haven't gone without, they have. We don't have holidays. Everything must be carefully budgeted for. When they were little things were really tight due to being a single mum and paying a high mortgage rate on my own. In the winter I couldn't afford to put the heating on, so they had to wear jumpers to bed. The recommended 5 a day fruit and veg intake was never an option as I simply couldn't afford it. My house has needed repairs making to it but because of the money situation there was nothing I could do.'

'We also need to carry out other repairs around the home e.g. repairs to our windows and external doors, but currently can't afford this meaning that our home is not as energy efficient as it should be. If we were on a fair mortgage interest rate and we weren't repaying high rate credit card debt that was built up as a result of our inflated mortgage repayments, these repairs would be affordable.'

'Our mortgage payment is over 1/3 of our income leaving little disposable income. At times we have to use credit cards for food shopping which has left us with debts. We can't afford family holidays or home improvements. Family have to help us out with things like car repairs and school trips. I feel like we are counting down the years until it's all paid off so we can start living again.'

'For 12 years I have been living hand to mouth because of my mortgage. I have gone months without hot water and heating during the winter months because I couldn't afford to fix my boiler. This has financially and mentally crippled me often giving me suicidal thoughts because I'm so scared of losing my home. I don't know how long I or other prisoners can go on like this.'

'I got divorced through the stress'

Graph figures reporting the responses from the survey:

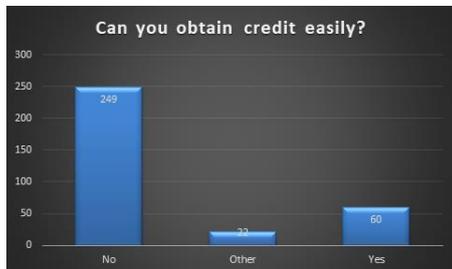


Fig.6

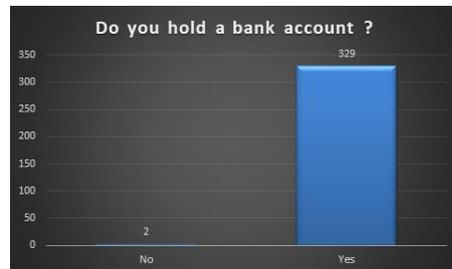


Fig.7

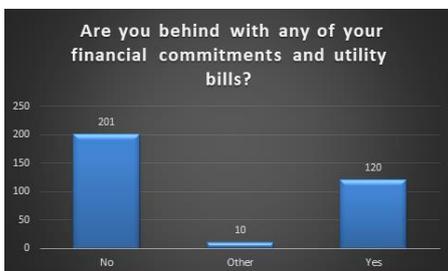


Fig.8

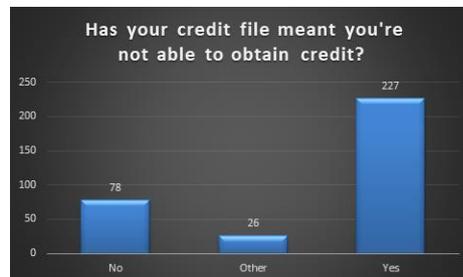


Fig.9

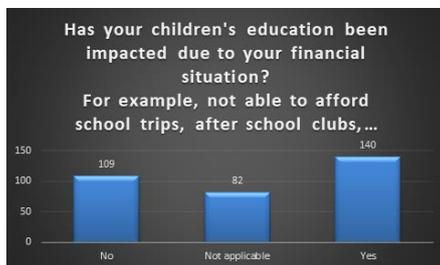


Fig.10

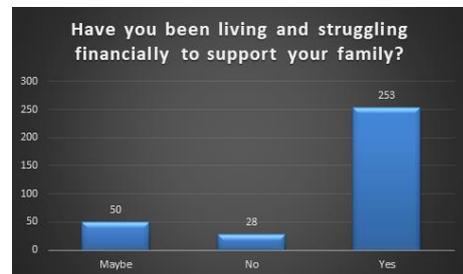


Fig.11

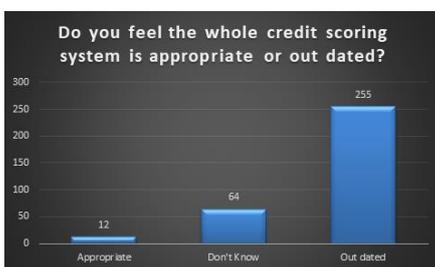


Fig.13

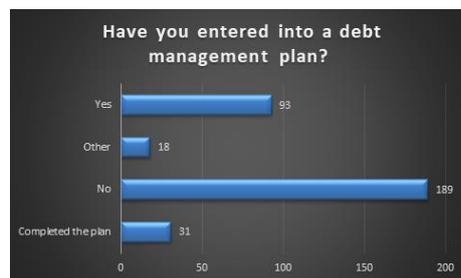


Fig.14

For further information please visit: www.ukmortgageprisoners.com

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