



Tackling debt early

The worst day of the year according to “researchers” is probably the third Monday in January; “Foul weather, debt, fading Christmas memories, failed resolutions and a lack of motivation conspire to depress”. So let’s get that well behind us!

Debt problems are a terrible burden and it seems now they can bite at any age. In 2010 there were around six times as many bankruptcies for retirees as in 2000. Thankfully our building society has seen a worsening in only a few of our mortgage customers’ finances. We haven’t repossessed a single home since 2006.

If you are finding things tight it’s essential to talk early to your lender. Getting your mortgage lender onside when you first see things get difficult really will help. In doing this you should clearly state that you are in financial difficulty and explain why this has happened. There are a number of options that might be open to reduce the pain. These include switching the mortgage temporarily to “interest only” which reduces your monthly payments or perhaps taking a payment holiday if your mortgage allows this. These aren’t permanent solutions but could give several months’ breathing space. Good lenders will work sympathetically with their customers to agree a workable plan but what banks hate most is when borrowers in difficulty actively avoid keeping in touch. This can also end up costing much more as some charge you for each letter they send.

There are good free independent sources of advice including the local Citizens’ Advice Bureau and the National Debtline (0808 808 4000). As well as help on budgeting they can point you in the right direction in terms of how best to deal with your lender. However it’s best to beware of some organisations which appear to offer debt solutions as these may well be commercially motivated and be fee based.

If you took out Payment Protection Insurance at the start of the mortgage this may, after a period, pick up the loan payment. If you have this type of insurance it’s sensible to notify your insurer as soon as you lose your job. In due course there are Benefits which can kick in too.

So, not a very sunny column this month, but perhaps there is a bit of comfort; it’s almost twelve months to the next worst day.

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