



Holistic approach needed for debtors

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Mortgage arrears and repossessions are likely to reach record levels in 2009. For those who were advising debtors in the late 1980s and early 1990s there is a sense of déjà vu.

The objective of lenders should be to prevent as many repossessions as possible. But based on our experience of helping clients with mortgage arrears, unless their total debt problem is dealt with, the chances of arrears repayments being adhered to are reduced.

The average Paymex client who has mortgage arrears also has over £40,000 in unsecured credit debts, most of which will not be owed to the mortgage lender.

We are piloting various holistic solutions for mortgage lenders

faced with clients who have multiple debts. Often the unsecured debts impinge on their ability to repay their mortgage arrears.

Unsecured creditors, particularly debt collection agencies that have bought the debt, take a more robust approach to debt collection than the majority of mortgage lenders. As a result we see many home owners repaying unsecured creditors in preference to their mortgage and any arrears.

Mortgage lenders should be under no illusion about the pressure their customers come under by unsecured creditors and how this affects their prioritisation of mortgage repayments.

Unless a holistic approach to debtors' financial situations is taken, mortgage default is much more likely.



Great chance to win customers for life

GRANT STEVENS
MANAGING DIRECTOR
LEADBAY

Adverse credit is the former product of choice that advisers and lenders are now avoiding like the plague. But what has happened to all the people who still need advice?

Despite the fact that lenders may not want to touch them with a barge pole, the number of consumers asking for adverse credit mortgage advice is increasing significantly, with 15% more clients looking for advice than six months ago.

There is more need for help than ever as the average deposit has dropped by almost 25% from £101,500 to £77,685.

The average age is dropping too – last July the average adverse borrower was 38 and a half years old but is now 36, indicating that



people are getting into financial trouble younger.

The evidence that advisers no longer value this type of client is nowhere more clear than in lead prices.

At the height of demand for adverse clients advisers, who set their own prices for leads, paid as much as £280 per lead.

This dropped to an average £45 six months ago and since then has dropped a further 400% to just over £12 per lead.

There may be few lenders willing to touch them, but brokers willing to offer help now may win customers for life.



Right formula vital for equity release

JON KING
MANAGING DIRECTOR
HODGE LIFETIME

As equity release plans are taken out by older home owners, the chance of clients suffering from poor health inevitably increases.

So it is paramount for brokers to understand this and take it into account when advising on equity release.

A key way of addressing this is to complete an impaired life application, providing an opportunity for brokers to enhance benefits for clients who are not in perfect health.

Impaired life products take into account customers' medical circumstances and life expectancy to make the most of the value of their home and the equity

they can release from it, often maximising the LTV available.

These applications are offered free to brokers and IFAs by ourselves and other providers.

Following the withdrawal of high LTV products from the market, the use of impaired products could also allow qualifying clients the opportunity to release more equity, or critically, allow for remortgaging to a lower interest rate, if appropriate.

Ultimately, the advice process in equity release focuses on minimising the eventual debt and this is affected by both how long clients live as well as the interest rate. So it's vital to get the right product for every client.



Honesty is the best policy for insurance

IAIN MALLON
DIRECTOR OF PROTECTION MARKETING
AXA

In recent weeks the issue of non-disclosure has reared its head in the consumer press. Cheltenham Borough Council has taken its former managing director, Christine Laird, to court, claiming she failed to disclose information about her health when she applied for the job.

The council argued that Laird had misrepresented and misstated her fitness for employment on her job application form by withholding a history of depressive illness and related medication.

Despite the high profile court case having no insurance connection, it does serve as a reminder for consumers about the repercussions non-disclosure can have. The message the court case gives is that it pays to tell the truth, no matter what type of application form you're filling in.

Depression is a common illness, affecting around two million people every year in the UK. It is estimated that one in five Britons has suffered depression at some point. Sufferers are likely to non-disclose because of a mixture of embarrassment, denial and fear of having to pay a rated premium.

In fact this is a myth and most people suffering from depression, but who are on medication to control it, would be offered standard rates for life assurance.

It is the responsibility of providers and advisers to encourage detailed and accurate answers from clients in the application process.

Media coverage generated from the council's court case can be a useful way for advisers to talk to clients about the consequences of non-disclosure.