



MORTGAGE PRISONERS

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By Vicki Harris, Chief Transformation Officer, Kensington Mortgages

This week I'm writing about so-called 'Mortgage Prisoners'. Mortgage Prisoners are people who are fully up to date with their mortgage payments but took out their loan a while back, before new lending and affordability rules came into place. And now under these new rules some people - Mortgage Prisoners - are unable to meet the affordability tests that lenders now have to undertake to issue new loans and so are unable to re-mortgage their properties. This means that despite being fully up to date with all their mortgage payments, these borrowers are stuck on their lenders' (often highly uncompetitive) variable rates, unable to take advantage of many of the much cheaper fixed rates that are now available.

The problem is an unintended consequence of changes made to the rules following the financial crisis. The new rules were designed to ensure that only people who could afford a mortgage should be able to take one out and have been accompanied by a general tightening of banks' approaches towards lending. But unfortunately this has resulted in a terribly unfair situation - disadvantaging some customers who took out mortgages in good faith that they would be able to re-mortgage - and one that the industry regulator and Treasury Select Committee are only now trying to resolve.

On the positive side, a voluntary agreement was struck between most active lenders last year to offer better rates to certain of their Mortgage Prisoners. And with a regulator-led consultation now underway steps are being taken to explore additional solutions - although with banks now more risk averse than they have been historically solutions may be more difficult to come by.

At Kensington we are acutely aware of the issue. We are party to the voluntary agreement and have also recently launched a new product designed to help a select group of Mortgage Prisoners to re-mortgage at lower rates. It is by no means a perfect solution and will not solve the problem for many, but we will hopefully be able to help some of those disadvantaged homeowners to resolve their position and save money. And in parallel with this activity we continue to look at other ways to help.

But the moral of the story is that the unintended consequences of well-meaning regulation can often take years to resolve and, as ever, it is often the end-consumer that suffers in the process.

If you have any thoughts or ideas do let us know – you can connect with us on LinkedIn ([Kensington Mortgages](#)) or Twitter ([@KensingtonChat](#)). Or if you want to start a conversation directly, then just email me on vicki.blog@kensingtonmortgages.co.uk or visit our website at www.kensingtonmortgages.co.uk.

Vicki Harris has 20 years of experience working in challenger financial services brands, working across asset management, banking and specialist lending. She is currently Chief Transformation Officer of Kensington Mortgages, the UK's leading non-bank specialist mortgage lender.