

Versatile approach essential to help clients looking to consolidate debts

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It's been a difficult couple of years for the nation's finances. The pandemic put many households under enormous pressure, as they were forced to deal with reduced working hours and furlough incomes, and that has been followed by the cost of living crisis.

Inflation has hit its highest level in four decades, with the cost of virtually everything on the rise.

Little wonder then that many households have taken on more debt in order to make ends meet.

Consolidating debts

However, with a new year comes a determination from many borrowers to get their finances in better shape, to reduce the costs involved with repaying those debts. After all, with inflation taking effect, everyone wants to make their money stretch as far as possible, and cutting the cost of that debt repayment can make a big difference.

We know that this tends to be a time when brokers see an increased interest from clients in looking to make use of the equity they hold in their property in order to bring together those various debts into a single loan. After all, with the incredible increases in house prices seen over the last few years, many homeowners are now sitting on far healthier equity stakes.

But in order to take advantage of that equity holding, and get those debts under control, then brokers need to identify lenders who take a more open-minded approach towards certain payment issues that may have cropped up during the last few years.

Not all arrears are the same

It's important to recognise that arrears can come in different forms. For some borrowers, dropping behind on repayments is a sign of longer-lasting financial troubles, which will need to be managed carefully.

Indeed, it's welcome that the Financial Conduct Authority has reminded the industry of its expectations in how lenders should support borrowers exhibiting signs of such worries.

But for other borrowers, an arrear or two is a temporary issue, a hiccup in the grand scheme of things. And yet this short-term aberration can have a long-term impact on their mortgage

prospects, with many lenders taking an unnecessarily cautious approach towards those with some history of missed payments, even if the account is up to date once more.

Delivering for light adverse clients

This is an area of the market crying out for lender attention, for a change in attitudes.

Of course lenders must be responsible in their activities, and ensure that they do not sign off on mortgages where the borrower is likely to experience repayment issues, but equally it's important to look deeper than simply seeing that arrears have occurred.

As a result at Mansfield Building Society we have launched a simplified Versatility range, which we believe will help more customers with some level of adverse credit.

For example, the range now accepts more occurrences of missed payments as long as the account remains up to date, without being more than two months in arrears. IVA and bankruptcy requirements have been reduced by a year, while there are further options too for customers with CCJs.

The reality is that the challenges of the last few years have had a real knock on effect on the credit histories of many borrowers, but that doesn't necessarily mean they are no longer good prospects for a mortgage.

Getting to know borrowers

Ultimately, it all comes down to attitude. Some lenders are only too happy to find reasons not to approve a mortgage application, employing a tickbox approach which excludes significant numbers of potential borrowers because of a perceived risk. That could be down to their credit history, their employment status, or even the type of property being borrowed against.

We are determined to do things differently at Mansfield, as we recognise that by getting to grips with the individual features of a case we can make a more informed decision. The fact that an applicant is on a zero hours contract, for example, or has missed the odd payment does not mean they will be a poor borrower and should be unable to obtain the finance they need.

Versatility is not just the name of a product range, it represents our lending ethos. By embracing versatility, and putting it at the heart of our lending, we know that we can deliver for a greater number of brokers and borrowers alike.

A common sense approach

If you've got a case on your desk that requires a common sense approach to lending then please pick up the phone to our Broker Support team on 01623 676360 or visit <https://www.mansfieldbs.co.uk/intermediaries/>.