

Coronavirus: what you need to know about mortgage payment holidays

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Rishi Sunak, the Chancellor of the Exchequer, recently announced the introduction of mortgage payment holidays for those struggling with their bills as a result of the coronavirus. In the article below we help you understand what a mortgage payment holiday is, as well as highlighting the key areas to consider before choosing whether to take advantage of this new scheme.

What is a mortgage payment holiday?

A mortgage payment holiday is where your lender agrees for you to take a break from your mortgage payments. This could prove to be very useful if you are finding it difficult to make ends meet as a result of the coronavirus situation.

It is important to note this will not mean your lender will cover your mortgage payments for you. Instead, your lender will simply defer your payments for the agreed period, but interest will continue to be charged and added to your mortgage account.

This may result in your mortgage term being extended, or you having to make higher monthly repayments as soon as your mortgage holiday period comes to an end.

Mortgage lenders are initially offering a three-month mortgage payment holiday for those customers impacted by COVID-19, for those customers who are up to date with their payments (not in arrears).

How do I arrange a mortgage payment holiday?

Mortgage payment holidays are available for both residential and buy-to-let mortgages, providing homeowners and landlords with assistance if their payments are affected.

In the first instance we would encourage you to speak with a mortgage adviser at Cooper Associates Mortgages, who will be very happy to answer any immediate questions you may have and provide you with some guidance.

If you wish to proceed with a mortgage payment holiday you will then need to contact your lender. Lenders are receiving a high volume of enquiries at the moment, so phone lines are very busy.

The good news is that many lenders have introduced an online form which can be completed, which significantly speeds up the process. In addition to this, lenders are adding key information to the websites relating to the coronavirus.

The majority of lenders have confirmed there will be no impact on credit profiles for customers where they have agreed to a customer taking a mortgage payment holiday. As a result of the coronavirus situation most lenders are not classifying mortgage payment holidays as going into arrears, thus your credit rating will not be affected. However, it is very important you discuss this clearly with your lender, as some are operating differently.

Whatever your circumstances, it is essential you do not cancel your mortgage direct debit.

Is a mortgage payment holiday right for you?

Here are some key points to consider if you are thinking of applying for a mortgage payment holiday:

- When payments start again they may be recalculated and you could see an increase in monthly payments
- The total amount of interest paid over the term of the mortgage is likely to increase
- Are your current payments affordable? If you have managed to cut back on your expenditure as a result of isolation (reduction in money spent on fuel bills, eating out, leisure activities etc) it may still be possible to continue with your regular monthly payments, even with a reduced income
- If you are coming to the end of your fixed rate period and if you have agreed a payment holiday with your lender, it should not impact your ability to do a product transfer for a better rate. We would advise speaking with our mortgage advisers if you fall into this category
- If you have an overpayment reserve, you could arrange for underpayments instead. Check your mortgage offer or speak to your lender to see if this option is available

Key questions to ask your lender

If you decide to proceed with a mortgage payment holiday please find below some suggested questions to ask your lender:

- Will my monthly payments increase once the payment holiday period ends? If so, by how much?
- How much additional interest will be applied to my mortgage term if I take a mortgage payment holiday?
- Will a mortgage payment holiday have an adverse impact on my credit rating?
- If I take a mortgage payment holiday will it affect whether I can take out a new product with you when my existing fixed term period ends?

Which lenders are offering a mortgage payment holiday?

A number of the main mortgage providers have confirmed they will offer a three-month mortgage holiday. The list includes:

Bank of Scotland
Halifax
HSBC
Lloyds
Nationwide
Natwest
RBS
Santander

Cooper Associates Mortgages are on hand to assist you, should you have any queries about mortgage payment holidays. We offer fee-free advice and would be delighted to assist anyone who is concerned about their mortgage payments. Should you wish to discuss your situation with one of our mortgage advisers please call 01823 273880 or [complete an enquiry form](#) and we will reply to you as soon as possible.