

The TML round table
May 4th 2022

EXPLORING ADVERSE CREDIT.

LET'S GO AROUND THE TABLE.

The latest in the Mortgage Lender's series of roundtable discussions brought together a host of big hitters from across our industry.

We were joined by brokers, thought leaders and industry gurus to discuss the challenges of complex incomes and adverse credit in today's mortgage market.

Meet the big hitters:



Steve Griffiths
TML



Sara Palmer
TML



Chris Kirby
TML

Charlie Roe

UK Finance

Olivia Sizeland

The Money Charity

James Jones

Experian

Anna Sagar

Mortgage Solutions

David White

Head of Sales, Simply Adverse

Ian Balfour

Director of Sales and Marketing,
TFC Homeloans

Steph Charman

Strategic Relationships Director,
Sesame Bankhall Group

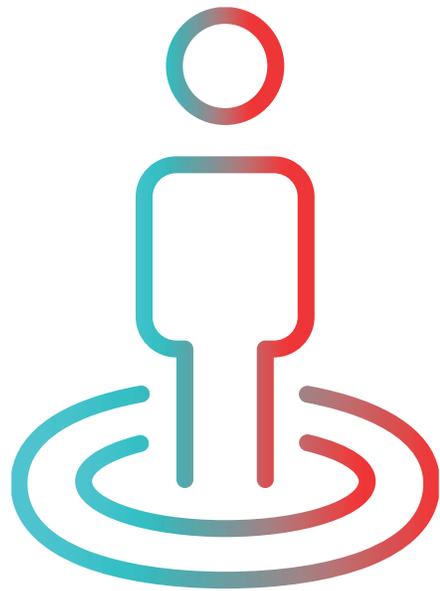
THE STATS

The lively and outspoken debate drew on TML's recent report on Adverse Credit, but took the discussion further to explore potential solutions.

Amongst the problems consumers and the industry are facing, we see stats like:

23%

of self-employed workers who've ever made a mortgage application have been turned down, compared to just 13% of employed workers



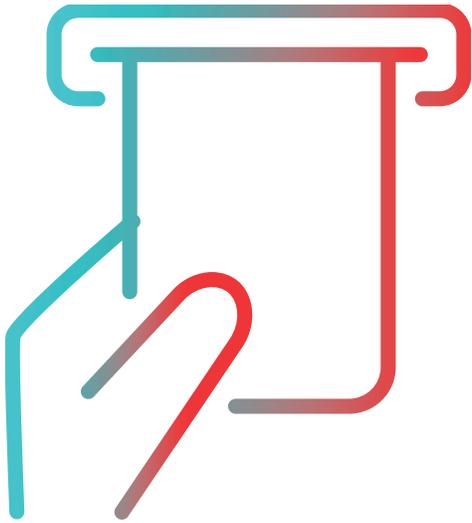
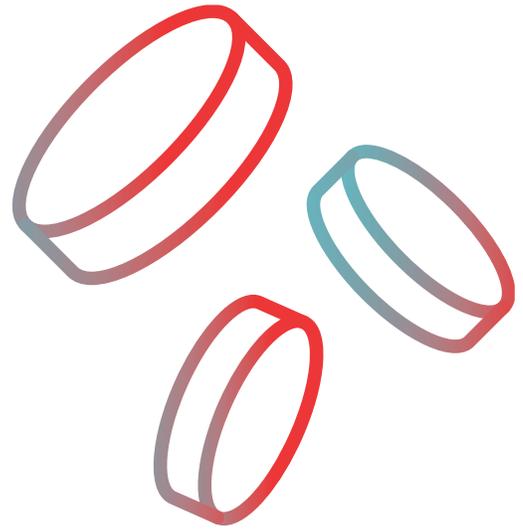
6%

of people in the UK missed a payment over the last two years, with 4% missing multiple payments



11%

of aspiring homebuyers currently use a Buy Now Pay Later scheme



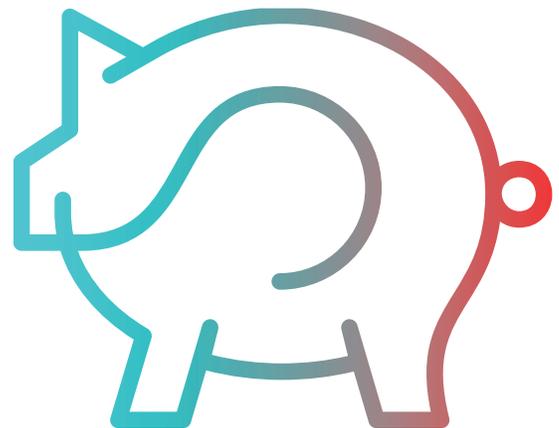
31%

of adults with a credit card don't pay it off every month, with one in ten only paying off the minimum amount



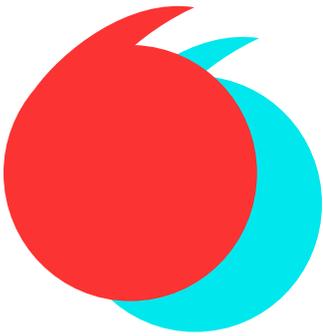
5%

of adults have applied for a debt relief order at some point in their lifetime, and 8% have been issued with a CCJ



COST OF LIVING

With the cost of living still rising faster than wages, these figures will continue their upward trend. As a participant said during the session, **“people may have to choose between heating and eating this winter.”** And financial decisions made during difficult times can have far-reaching repercussions, potentially impacting someone’s ability to secure a mortgage - or re-mortgage - far into the future.



**PEOPLE MAY HAVE
TO CHOOSE BETWEEN
HEATING & EATING**

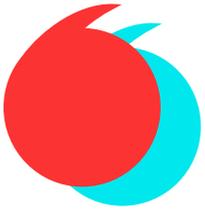


The event - chaired by Steve Griffiths and moderated by Sara Palmer and Chris Kirby - discussed a number of critical questions, including whether or not customers really understand what being 'mortgage ready' means. The general consensus was that both brokers and their clients - or many of them at any rate - urgently need better education.

Key questions - and the group's responses:

Q1. IS THERE ENOUGH CHOICE?

We all agreed that specialist lenders can cater for the majority of cases, even where there's adverse credit or complex incomes. Too often, though, neither the customer nor the broker knows about the choice that's out there. Customers are likely to go direct to high-street lenders, who may only support 'vanilla' applications. Once they're rejected by their bank, they may not realise there are other options available. Brokers and customers need to be aware of alternatives for non-standard applications.



There is certainly an opportunity to point customers in the direction of brokers who are non-standard.

Q2. ARE CREDIT RATINGS FIT FOR PURPOSE?

A credit rating from one of the key agencies can make or break your application. But there are lots of myths out there, with many consumers unsure what actions impact their credit scores, positively or negatively. We also discussed whether brokers had the ability to 'game' the system, as credit reports can vary between agencies. We recognised, however, that lenders expect brokers to declare everything that could impact a decision, whether it's on the credit report or not.



Someone could have been bankrupt years ago and find it easier to get a mortgage compared to someone who took out a payday loan a day ago.

Q3. WHAT IS THE ROLE OF ADVICE?

TML's research shows that many applicants, especially the self-employed, have been denied a mortgage at least once. This suggests there's a need to guide customers towards brokers, who can help them apply for the right product from the right lender. The group discussed whether a lender has a responsibility to advise the customer to seek independent advice in order to find a more suitable product, and not just give up at the first hurdle.



23% of applicants declined - is this stat so high because applicants were put in front of the wrong lenders... because they are chasing the lowest rate?

Q4. HAVE WE BECOME TOO FOCUSED ON RATES?

With cases of adverse credit likely to go up as more people face financial difficulties, the group discussed the need for more education on products and rates. Too often it's all about finding the cheapest rate, but this can mean focusing on the wrong product, and ultimately lead to rejection. Brokers could help customers understand why they might recommend products with higher rates, and the strategy behind this. For instance, by paying a higher rate for a short fixed period, a customer could boost their credit score and secure a lower rate in coming years.



A lot of lenders struggle, needing things to go through the pipe, but education on how to tell the customer story could help the lender understand the application circumstances.

Q5. DO BROKERS UNDERSTAND WHAT IT TAKES TO BE 'MORTGAGE READY'?

With so many lenders in the market it can be difficult for brokers, particularly non-specialists, to know how to put their cases forward. Some lenders will have different criteria, and while the facts are the facts, the way an application is presented can make a difference. More education from lenders could help brokers put successful applications together.

**KEY
TAKE-
AWAYS.**

At the end of the session Steve Griffiths rounded up the key takeaways, and outlined next steps.

3 Key Takeaways:

01/

**BECOMING MORTGAGE
READY**

Both consumers and brokers face a knowledge gap on how a case with adverse credit should be presented. More education from lenders could bridge this gap.



02/

**PROMOTING
ADVICE**

Too often customers will just go to their regular bank, but this isn't always the right port of call. As an industry, promoting the use of brokers, particularly for those with more complex cases, will be key.



03/

**IMPROVING BROKER
KNOWLEDGE**

Adverse credit is a tricky issue, and brokers are likely to see more cases with adverse credit over the coming months and years. Lenders have a role to play in signposting how to deal with these cases in order to get the best possible outcome for the client.



TO SUM IT UP.

The consensus was that while having adverse credit or a complex income can be a barrier, there will almost always be a lender with a suitable product out there. The trick is knowing who, and where to find them.

At TML we recognise the role we have to play in supporting brokers and their customers, and in ensuring they have everything they need to secure a good outcome. We'll be considering what else we can do, as an industry, to tackle the knowledge gap, and will be following up by sharing suggested next steps with our roundtable participants.

UNITED WE LEND.

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