The fair treatment of existing interest-only mortgage customers

Report

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Contents

Executive summary

In 2013, Financial Conduct Authority (FCA) guidance set out expectations that firms should act in accordance with Principle 6 to achieve a fair outcome for their interest-only mortgage customers. Despite lenders' efforts in contacting interest-only mortgage customers so they can consider the options available to repay the capital at the end of their term, nearly 70%[1] of these customers did not engage with their lenders. As part of their 2017/18 thematic review of the fair treatment of existing interest-only mortgage customers[2], the FCA commissioned Kantar Public to conduct 45 in-depth interviews with customers with interest-only mortgages who had not engaged with their lender. This research sought to gather insight into customers' reasons for not engaging with their lender, identify groups of customers according to what is driving their lack of engagement, assess customers' need for engagement with their lender, and identify potential engagement strategies. Findings from this study may be used to improve lenders' engagement with customers and inform their communications strategies.

Participants were selected from lenders' management information (MI) files, and sampled to achieve a broad range of characteristics across the remaining mortgage term, loan-to-value (LTV) ratio, region and remaining balance.

Reasons for lack of engagement

Customers' reasons for not engaging with their lender were wide-ranging and multifaceted. They included rational reasons (explicitly stated by participants), as well as subconscious, moral and emotional reasons (typically inferred by the research team from participants' wider responses):

- **Rational Drivers**: reflective and conscious reasons for lack of engagement, including: no perceived benefit to engaging, lack of personal capacity, and low trust in lenders.
- **Subconscious Drivers**: automatic and unconscious reasons for lack of engagement, including: assumptions about lack of need to respond and uncertainty about how to respond.
- **Moral Drivers**: unconscious perceptions of who is to blame underpinning lack of engagement, specifically: blaming others for being sold an interest-only mortgage.
- **Emotional Drivers:** the emotions underpinning lack of engagement, specifically: negative emotional reactions in response to lender communications.

Some reasons for not engaging were specific to certain groups of customers (see 'customer groups' below), but there were also a number of common barriers experienced by a wide range of participants; specifically, a lack of perceived need for or benefit from engaging, and scepticism about the motives of lenders in requesting engagement.

[1] "Lenders Have Met the 2020 Interest-Only Mortgage Commitment, Says CML." *Lenders Have Met the 2020 Interest-Only Mortgage Commitment, Says CML - Council of Mortgage Lenders*, 10 June 2014, www.cml.org.uk/news/press-releases/3935/.

[2] "Business Plan 2017/18." Financial Conduct Authority, 18 Apr. 2017, www.fca.org.uk/publication/business-plans/business-plan-2017-18.pdf#page=57.

See Section 2 for more detail on reasons for lack of engagement.

Customer groups

While customers typically had multiple and varied reasons for not engaging with their lender, a key distinction emerged according to how customers felt about their repayment circumstances; specifically, whether customers felt confident, constrained, or insecure about repaying the balance of their interest-only mortgage.

- **Confident customers** tended to have multiple options for repaying the balance of their interest-only mortgage and felt confident about their repayment plans. They tended not to engage with their lender because they could not see a need or benefit for themselves.
- **Constrained customers** had unappealing or uncertain repayment options and felt their repayment options were constrained. These customers tended not to engage with their lender to retain flexibility or avoid facing poor options.
- **Insecure customers** felt they had no options for repaying the balance of their interest-only mortgage and felt insecure about their repayment plans. These customers tended not to engage with their lender because they did not want to confront their situation.

See Section 3 for more detail on customer groups.

Need and strategies for further engagement

The FCA would like all customers with an interest-only mortgage to engage as early as possible with their lender to discuss repaying the balance of their mortgage. However, customers have said that the purpose and benefit to them of engaging with their lender was largely unclear, and customers' need to engage – both stated and inferred – varied across each of the customer groups.

- **Confident customers** were least likely to engage with their lender as they felt there was no need to and they tended to have other preferred sources of financial guidance.
- **Constrained customers** may benefit from discussing repayment options with their lender, but tended to feel lender information would be biased and preferred impartial information and guidance.
- **Insecure customers** were most likely to benefit from discussing potential options with their lender, but tended to have the lowest understanding of how their lender or others (e.g. Money Advice Service) might be able to help them.

Despite this widespread lack of perceived need for engagement, customers across all three groups, particularly those nearing the end of maturity, expressed a desire for practical information about repaying the balance of their mortgage.

A key challenge to the research was the quality of MI provided by the lenders in our sample. In order for the lenders to apply the suggested strategies that may increase engagement across all customer groups, they could analyse and segment their existing books in order to understand the extent to which each of the groups are present and to tailor communications accordingly.

Research findings suggest a number of strategies to encourage customer engagement across a wide range of customers. These include:

- **Making communications feel relevant** to avoid customers assuming letters are automated or missing the call to action. This can be accomplished by personalising letters with customer details (e.g. name, remaining balance, maturity date, repayment strategy) and including a clear ask.

- **Providing a clear rationale for responding** so customers see there is a benefit to responding to their lender. Communications could make clear there are potential repayment options available to customers and provide information about the practicalities of repaying the balance of their mortgage.
- **Making it easy for customers to respond** so that customers feel able to respond to their lender. This can be done by ensuring response options for tick-box forms are comprehensive and providing the option for other channels of communication e.g. via phone or in-person.

In addition to the strategies above, there are drivers to non-engagement specific to each of the customer groups that could inform lenders' communication strategies:

- **Confident customers** are likely to be difficult to engage because they feel 'sorted' and so lenders must make clear there is a benefit to these customers to engage or incentivise them in some way.
- **Constrained customers** feel it would be disadvantageous to engage with their lender, as they would have to make their lender aware that they are having difficulties, so to engage them, lenders may want to create a webpage where customers can get information about repayment options in private.
- **Insecure customers** felt anxious or in denial about their situation and needed additional support. To engage with these customers, communications should have a non-judgmental tone and contain open and constructive messages. Communication should avoid jargon and clearly define any financial terms these customers may struggle to understand. To encourage insecure customers to engage with their mortgage, lenders may also want to signpost them to impartial sources of information and advice e.g. Money Advice Service.

See Section 4 for more detail on need and strategies for further engagement.

Conclusions

The above barriers to engagement have clear implications for how lenders could improve engagement with customers. However, it is important to state that these recommendations are untested and further research is required to test effectiveness of the suggested strategies. Nevertheless, lenders may find it useful to assess their customers' circumstances and identify which of the customer groups – confident, constrained, or insecure – their customers might fall into. This may help lenders to tailor their communications strategies and maximise the likelihood that customers engage with their lenders about repaying their interest-only mortgage.

See Section 5 for more detail on conclusions.

1. Introduction

This report outlines findings from qualitative research with customers who had not engaged with their mortgage lender following communications about their interest-only mortgage.

1.1 Background to the research

In 2013, the FCA conducted a thematic review into the treatment of customers with maturing interest-only mortgages. Following the review, guidance[3] was produced, which set out the FCA's expectations that lenders should take pre-emptive action to engage with their customers and discuss possible options, ensuring fair treatment over the remaining mortgage term. Despite efforts from lenders to contact all customers with an interest-only mortgage due to mature before 2020, a substantial number (nearly 70%)[4] of customers did not engage with their lenders when contacted to confirm their repayment strategy.

The FCA is now conducting a thematic review to assess interest-only mortgage lenders' engagement strategies and the options they offer to customers both during the mortgage term and at maturity. As part of this review, the FCA commissioned Kantar Public to undertake in-depth interviews with customers who are not engaging with their mortgage lender following communications about their interest-only mortgage.

Insight generated from this research provides an updated picture on customers with interest-only mortgages who have not engaged with their mortgage lender and can be used to inform and improve lenders' customer engagement and communications strategies. Specific objectives for the research were to:

- **Understand reasons for lack of engagement:** Why are these customers not engaging with their lenders? What are the key factors driving this lack of engagement (including both rational and subconscious influences)? How does this relate to their repayment plans (if at all)?
- **Identify customer groups:** How do these customers vary across the population? What different types of customers can be identified according to what is driving their lack of engagement (for example, inertia, fear, denial, lack of perceived need / understanding)?

[3] "FG13/7 - Dealing Fairly with Interest-Only Mortgage Customers Who Risk Being Unable to Repay Their Loan." 29 Aug. 2013, www.fca.org.uk/publications/finalised-guidance/fg13-7-dealing-fairly-interest-only-mortgage-customers-who-risk.

[4] "Lenders Have Met the 2020 Interest-Only Mortgage Commitment, Says CML." *Lenders Have Met the 2020 Interest-Only Mortgage Commitment, Says CML - Council of Mortgage Lenders*, 10 June 2014, www.cml.org.uk/news/press-releases/3935/.

- **Assess need for further engagement:** To what extent would customers benefit from engaging with lenders? Do some customers need prompts or support to consider their options? Do some simply not need to engage? How does this vary according to customer group?
- **Identify strategies for further engagement:** Where a need for further engagement is identified, how could this best be delivered? What language, messages, content, tone, and channels (etc.) are best suited to promote engagement?

1.2 Overview of the research methodology

We conducted 45 in-depth interviews with interest-only mortgage customers who claimed not to have responded to communication from their lender since 2015. Interviews took place between August and October 2017. 32 of the interviews were conducted face-to-face and 13 were conducted by telephone. Each of the interviews lasted up to 60 minutes and was structured using a topic guide which covered the customer's entire mortgage journey (the complete topic guide is included in the Technical Report – Topic Guide, section 4).

Participants were selected from MI files provided by 10 lenders that listed those customers who had not responded to their lender communications. Kantar Public sent letters to 3,000 customers, introducing the research and providing an opportunity for customers to opt out of the study. Customers wanting to participate were sampled using a screening questionnaire (see the Technical Report – Recruitment Screener, section 3) to match specific recruitment criteria. The criteria ensured the widest possible range of views and experiences were included in the research.

A table summarising the achieved sample for the two primary recruitment criteria (remaining mortgage term and LTV ratio of customers' interest-only mortgages) is available in Appendix A.

1.3 Reading this report

The flexible and open nature of qualitative methods enabled researchers to respond to participants and explore unanticipated issues relevant to the research questions. The research does not seek to quantify or generalise the overall population but reflects a range of attitudes and behaviours.

Throughout the report, verbatim customer quotes are used to illustrate particular findings. In order to provide additional detail, customers' quotes are labelled with LTV ratio, time remaining on their mortgage term, and region. For example: "Quote." (LTV, Remaining Term, Region)

This report was produced by Kantar Public, independently of but commissioned by the FCA. The report is Kantar's reflection of the discussions held with members of the public who met the criteria for inclusion in the research. It does not represent FCA policy or guidance and should not be interpreted as regulatory direction.

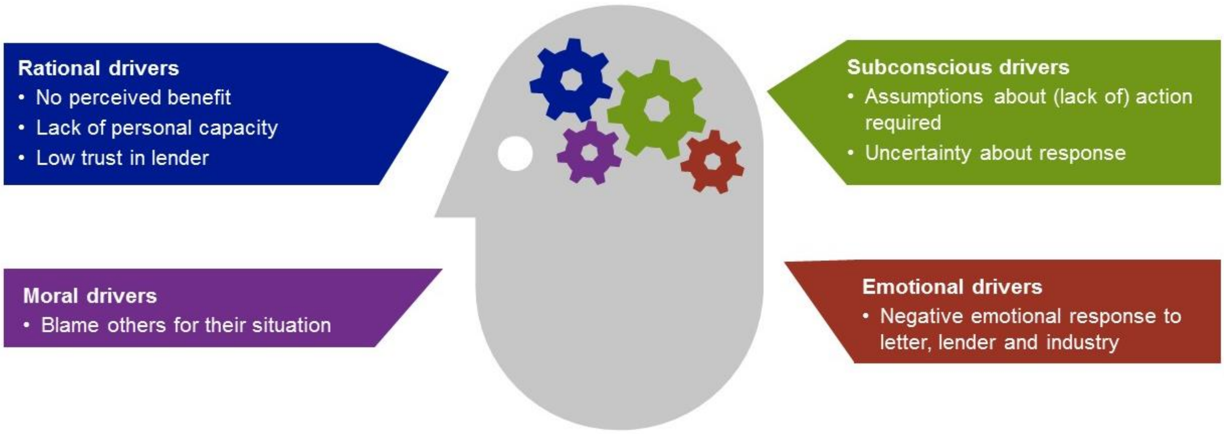
2. Reasons for lack of engagement

Reasons for not engaging with lenders are varied and often multi-layered, reflecting both conscious and subconscious barriers.

Some reasons are specific to certain groups of customers, but there are also a number of common barriers; specifically, a lack of perceived need for or benefit from engaging, and scepticism about the motives of lenders.

In this section, we discuss the reasons why some customers with an interest-only mortgage had not responded to lender communications.

Participants typically had multiple reasons for not engaging, including both openly suggested reasons, and reasons suggested by the research team following analysis of participants' wider responses. As these reasons were wide-ranging, we have grouped them according to four distinct behavioural drivers:



2.1 Rational drivers

2.1.1 Perceived benefit

The most widely cited reason for not engaging was rational; customers did not see a benefit in contacting their lender. This response was expressed in three ways. Firstly, some customers were confident in their ability to repay their mortgage and could not see any value from confirming this with their lender.

"I seem to recall I had something from them saying 'Please be aware that you may need to look at the shortfall in your mortgage repayment… Have you made any provisions or do you need any advice', something along those lines. And to be honest I probably thought 'Yeah, I've got that in hand: shred it.'" (25-74% LTV, 1-5 years, East)

Secondly, customers failed to perceive a benefit to getting in touch with their lender due to the belief that the lender cannot offer relevant support to the individual.

"There's no indication from [my lender] that they can accommodate someone in my situation." (90%+ LTV, 6-10 years, Northern Ireland)

Thirdly, some customers expressed worry about the possible consequences of contacting their lender. They felt it could make their situation worse if the lender was aware that the customer might have a shortfall. Customers shared concerns about their home being repossessed, the lender taking their pension or payouts from insurance policies, or all those things happening sooner than expected or necessary.

"If I initiate that discussion with them, I am not sure whether they'll say 'what do you mean you can't pay off that lump sum. What is the problem? Why do you want to extend? We don't see a pressing need to extend the mortgage.'" (25-74% LTV, 1-5 years, East)

2.1.2 Lack of personal capacity

Another explicitly stated rational reason for lack of engagement was customers not feeling they had the knowledge, means or time to respond to their lender. In particular, many individuals did not understand what they were being asked to do. The language used in the communications and the lack of a clear call to action were the main reasons for this.

"What's a 'repayment vehicle'? – I don't understand that anyway… I haven't got a clue about that…the wording is y'know, what's a vehicle? A car, a bus, or a lorry… I just do not understand some of what's in here." (< 25% LTV, < 12 months, Wales)

Some participants recalled the letter from their lender including tick boxes with pre-set repayment strategies to make it easier for customers to respond. However, the options on the form did not always allow individuals to respond appropriately, resulting in no response.

"They said 'Would I let them know what my plans were for the end of the term'. And they gave tick boxes for you to send it back. None of it applied to equity release, so I wasn't ticking anything." (< 25% LTV, 6-10 years, East)

Furthermore, customers were often time-pressured, and those with more pressing concerns deprioritised communicating with their lender about their mortgage.

"Why would one want to engage with them? To say what? I have enough things to do in a day." (25-74% LTV, 1-5 years, East)

2.1.3 Low trust in the lender

The final explicitly stated reason for not engaging was lack of trust in the lender. For example, some participants perceived their lender to be focused on profit; by engaging, the individual worried the lender would try to sell them a product they did not need.

"Lenders are all robbers. Anytime you speak to them… they automatically do fact-finding questions to find a gap where they can upsell you another product or another add-on. So I don't trust any of them at all." (75-90% LTV, 11-15 years, Scotland)

Similarly, some customers expressed the view that their lender did not have their best interests at heart, and would not offer impartial information.

> *"They try to get as much money out of you as they can."* (75-90% LTV, 1-5 years, North East)

Previous negative experiences with lenders also underpinned some customers distrust of engaging.

> *"I haven't spoken to them in two years because the last person I spoke to was really nasty."* (90%+ LTV, 11-15 years, Northern Ireland)

2.2 Subconscious drivers

2.2.1 Individuals' assumptions about the lack of need to respond

Alongside a lack of perceived benefit from engaging with their lender, customers' assumptions about the lack of need to respond was the next most prominent reason for not engaging. Some customers did not respond to lender communications because they found the letter to be generic and not specific to their circumstances.

> *"There was no reason to take action on non-specific correspondence."* (25-74% LTV, < 12 months, East)

Without a noticeable call to action or a sense of urgency, individuals assumed the letter was a 'nice to have' or 'simply for their reference.'

> *"It doesn't come across as 'Please contact us', it appears to be 'If you've got a bit of time then give us a call.'"* (75-90% LTV, 1-5 years, Wales)

Without any follow up communication after a letter was circulated, individuals assumed they did not need to get in touch with the lender, and the communication was interpreted as of little importance.

> *"They didn't follow up so I decided it can't have been that important."* (75-90% LTV, 1-5 years, Yorkshire & Humber)

2.2.2 Uncertainty about the response to give

Customers who expressed uncertainty about their financial circumstances tended not to engage because they did not know what was going to happen, or what to do. Not having a repayment plan in place was one reason for this uncertainty.

> *"It's reading them first two lines and it was 'What do you intend to do?' and I just thought well, I don't know so I put it down."* (75-90% LTV, 1-5 years, West Midlands)

For others, uncertainty about whether or not they will have a shortfall was a reason for not engaging.

The sense that their situation may change complicated how they could respond to lender communications – they have a plan, but are uncertain whether it will work out. Some participants expressed a sense of optimism – their circumstances would eventually sort themselves out – whether or not this was based on reality.

> *"I know at the end of term I need to come up with the capital amount. There's always the hope I'll win the lottery!"* (90%+ LTV, 11-15 years, South West)

2.3 Moral drivers

2.3.1 Blaming others

For participants expecting a shortfall in their interest-only mortgage repayment, lender communications sometimes prompted a sense of blame for their current financial situation as they already understand that they have a problem. These customers resented the implication that they were expected to resolve their situation, when they felt others had caused it – whether that blame was directed towards their lender, banks in general, or the government. Customers suggested the FCA or the government might eventually change the mortgage rules in recognition of perceived ‘errors’ in this area. However, these individuals did not express an expectation that others should provide them with any financial compensation.

This group of participants included customers who blamed their lender for their financial situation.

> *“They shouldn't have let us keep borrowing.”* (75-90% LTV, 1-5 years, West Midlands)

For others, they blamed the financial industry more generally; for example, claiming that banks should have been more responsible in their lending.

> *“If the banks were more stringent about it, with stricter hoops to jump through, then perhaps the people who have got caught in this wouldn't be struggling.”* (90%+ LTV, 11-15 years, South West)

Finally, some of these participants felt that government had failed to prevent customers from being unable to repay their mortgage because they permitted the lending practices of firms, and the situation was therefore not solely their own responsibility.

> *“It's the government's fault for letting us be in this position.”* (75-90% LTV, 1-5 years, West Midlands)

2.4 Emotional drivers

2.4.1 Negative emotional responses

For some customers, lender communications prompted a negative emotional reaction – it upset them. For example, some customers admitted that lender communications had made them think about something they were deliberately avoiding. They did not want to ‘face reality’ because they were in denial about their financial circumstances, and quickly dismissed the letter.

> *“It's slightly worrying at the moment… head in the sand, wait till they ask for it."* (25-74% LTV, 1-5 years, South West)

The letter also prompted some to feel judged, that they were somehow being bracketed with others who were failing, and that they were being monitored in case they were unable to pay.

> *“I’m not a child. I know what I’ve taken out. I read what I sign. I don’t want to be lumped in with all the ne’er-do-wells who haven’t paid and don’t know what they’re doing.”* (25-74% LTV, 1-5 years, East)

Some customers described themselves as ‘private’, and expressed the view that their lender was entitled to know they could repay their mortgage, not how.

> *“I don’t want people knowing my business.”* (< 25% LTV, < 12 months, Wales)

It is worth noting that not all customers who faced a shortfall in their repayment plans expressed a negative reaction directed towards others; some accepted their circumstances because they felt they had knowingly taken on the risk when they took out their interest-only mortgage.

3. Customer groups

Customers who are not engaging with their lender are a broad group. It may be helpful to think about them according to differences in their circumstances; specifically, whether they feel confident, constrained, or insecure about their repayment plans.

Customers can move between customer groups when a change in their circumstances occurs.

Across our sample, we identified three different groups of customers, according to how they felt about their circumstances; specifically, whether they felt confident, constrained or insecure about their repayment plans. It is important to note that customers can move between customer groups by a change in circumstances; for example, due to an economic downturn or an adverse life event.

Customers' reasons for taking out an interest-only mortgage in the first place still appeared to be relevant to their current situation (and therefore the customer group they fell into). For example, some customers changed to an interest-only mortgage due to an adverse life event in order to reduce their monthly outgoings and stay in their home. At the point of the research, many of these customers were still experiencing financial difficulty and tended to feel insecure about their repayment plans.

The reasons customers did not respond to communication from their lender were varied but across all customer groups, they tended not to engage because they felt there was no benefit to responding. Confident customers felt there was nothing to be gained from responding to their lender, while constrained and insecure customers expressed that they were not aware their lender could do anything to help them.

In this section, we explore the three customer groups in more detail using case studies. Additional participant case studies are available in Appendix B.

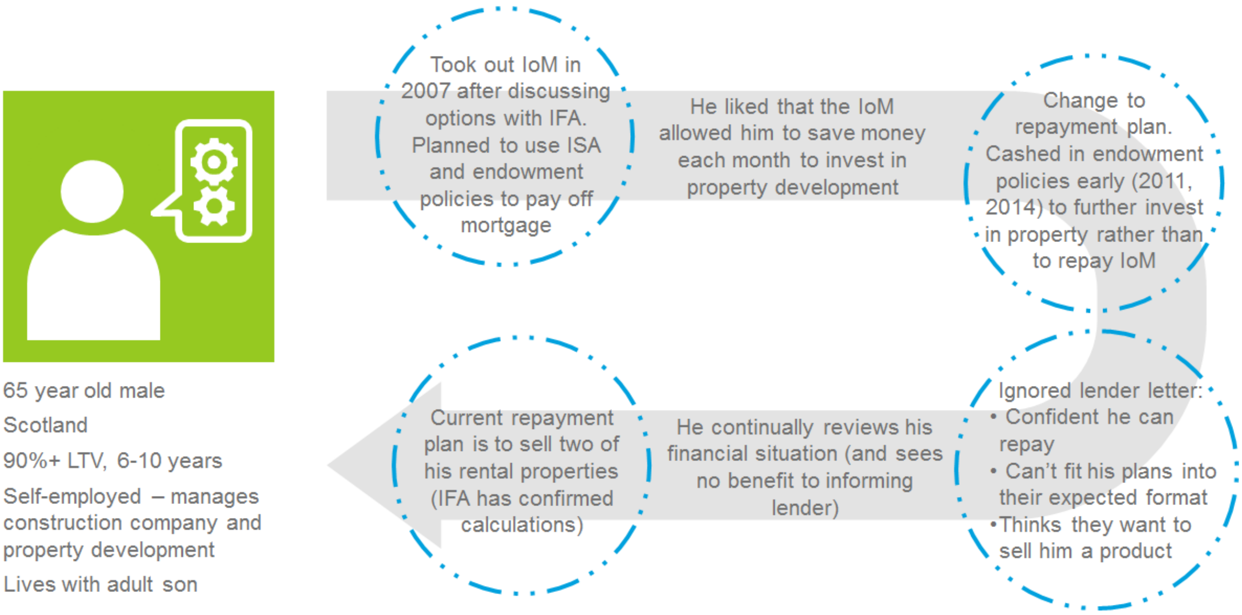
3.1 Confident customers

Confident customers felt secure about their plans to repay their interest-only mortgage and often had multiple contingency plans to draw upon in the event that one repayment plan fell through. This group tended to be financially knowledgeable and described planning their finances carefully, either with the support of an Independent Financial Adviser (IFA) or using their own financial knowledge. Many in this category were business owners or managers, and currently or previously worked in finance or property development. They used this experience to explain why they felt confident in their financial decisions.

"I've earned my living for 40 years by the manipulation of economic resources. It's with me all the time. It's how I earn my living." (25-74% LTV, < 12 months, East)

Several participants had more than one property or were currently developing residential properties to sell for a profit. So while this group typically described themselves as financially secure, this was also reflected in the range and scale of investments and assets they held. As a result, these customers were at a lower risk of having a shortfall at the end of their mortgage term because they had many options available to pay off their interest-only mortgage.

"We'd take out savings to pay it off. Or if our shares are doing well, we could take a portion of them to pay it off. Or if we can't cover it, we do still have the other property, which we can use to pay it off. It all depends at the time, which one makes more sense. We have provisions in place so it's not something for us to worry about." (75-90% LTV, < 12 months, West Midlands)

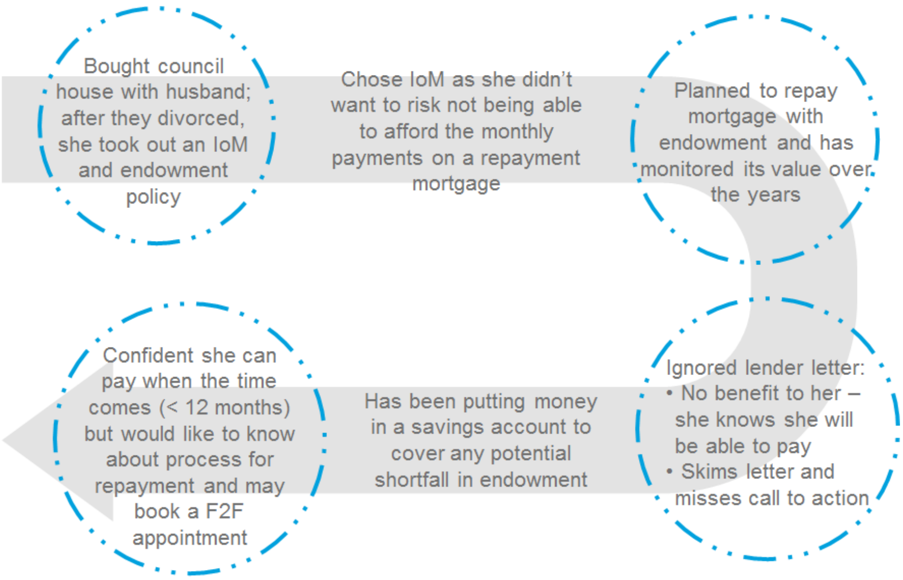


For customers in this group, taking out an interest-only mortgage in the first place typically involved making an active choice about a product they believe provided a financial benefit. In contrast to the other groups, confident customers typically viewed interest-only mortgages as an attractive option that would save them money over the life of the mortgage.

"I think interest-only mortgages are the way to go. You pay less to begin with. It's the route I would always go and recommend to my children. I don't see how paying huge amounts every month is worth it." (25-74% LTV, 1-5 years, East)

In particular, many were attracted to the flexibility an interest-only mortgage offered compared to other options. For example, switching to an interest-only mortgage to have more money readily available on hand rather than taking out a loan. Other participants' liked that interest-only mortgages freed up cash for other investments, especially those with their own businesses or property developments. Most confident customers went into an interest-only mortgage with their eyes open, having considered the risks and benefits of an interest-only mortgage compared to other options.

61 year old female
England
<25% LTV , <12 months
Retired care worker
(retired due to ill health)
Divorced with 4 grown up children; lives alone



Confident customers cited a variety of reasons for not responding to communications from their lender. Assumptions about a lack of need or benefit were reinforced by the lack of a clear call to action in lender communications. They sometimes assumed that getting in touch with the lender was only relevant to customers who were concerned or struggling:

> *"Why are they sending this request? It's not as if they won't get their money."* (90%+ LTV, 6-10 years, Scotland)

In contrast, one participant recently responded to a letter from his lender because he perceived a benefit from doing so. He felt that responding to the letter would keep him in 'good standing' with his lender should he ever need to call on them again.

> *"I thought I might as well reply to it, especially if you want to call on them again..."* (25-74% LTV, 6-10 years, East)

As with other groups, some confident customers assumed the lender would try to sell them another financial product or try to get them to switch to a capital and interest repayment mortgage. This was off-putting, particularly for those who had access to an IFA and claimed they would be more likely to discuss strategies for repayment with an IFA rather than their lender.

3.2 Constrained customers

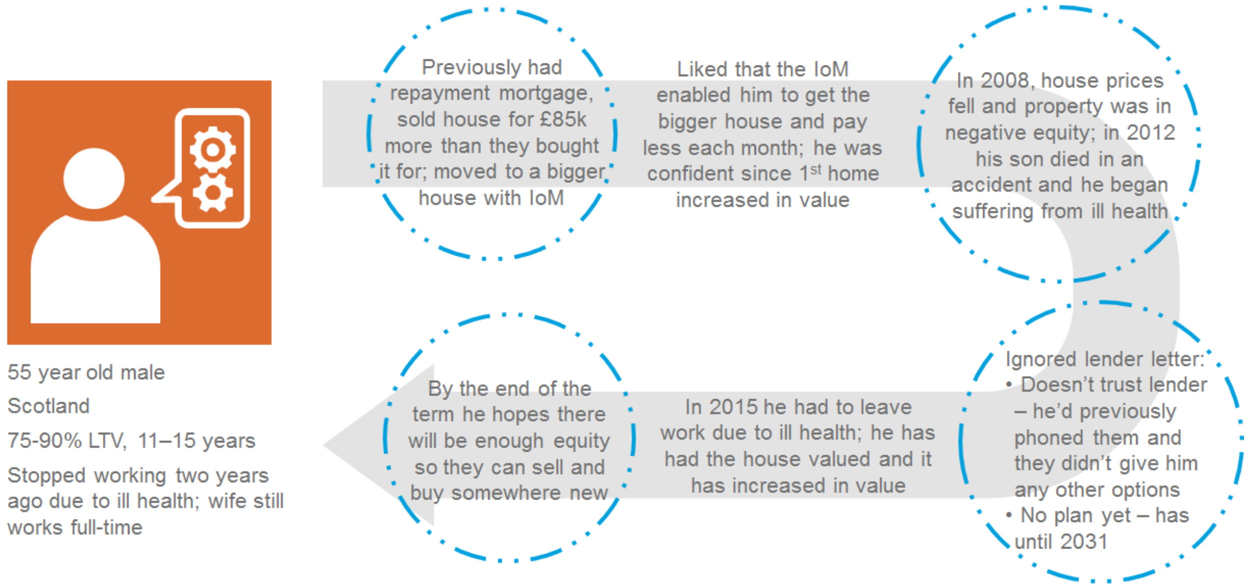
Constrained customers had unappealing or uncertain repayment options for repaying their interest-only mortgage. Their reasons for not responding to communications from their lender were again varied (more details below), but largely centred on their desire to keep their options open or to avoid facing disagreeable options.

Customers in this group tended to be professionals and business owners. Most described themselves as 'fairly' financially savvy and able to effectively manage their household finances. Those with more complicated financial circumstances (for example, multiple business interests, multiple properties) sometimes relied on financial advisers, although this was seen less than with confident customers. Overall, they tended to be more risk averse than confident customers.

> *"I am fairly cautious. I don't like to live in debt."* (90%+ LTV, 11-15 years, London)

Constrained customers tended to have changing or uncertain financial circumstances, often due to personal or financial issues. For example, this group included customers who had taken out an endowment policy with their interest-only mortgage and were unsure whether it would be sufficient to pay off their mortgage at the end of the term. It also included customers for whom personal issues had affected their financial circumstances, such as a divorce or illness that required time out from employment.

> *"I did have a plan but unfortunately I got cancer five years ago which knocked me back, so I've lost a few years' work and that's been a struggle now to catch up."* (75-90% LTV, 1-5 years, Wales)



Most in this group had some repayment options, but these options were either uncertain (as outlined above) or would result in significant life changes; for example, selling their home or postponing their retirement. Some had plans to switch to a capital and interest repayment mortgage or extend the term of their mortgage. Some were still hopeful that they might not have a shortfall in the end. As a result of this uncertainty, this group were at a relatively higher risk of shortfall compared to the confident group.

> *"Things [with my ISA] plunged quite badly after Brexit but they've steadily improved since then so even if they just continue like that, it might be enough to get there within 12 months."* (25-74% LTV, 1-5 years, East)

In contrast to the confident group, constrained customers typically described reactive reasons for taking out an interest-only mortgage in the first place. For example, it was the only way to afford a mortgage or because they had experienced adverse life events like redundancy, divorce, or illness, and they switched to an interest-only mortgage to lower their monthly payments. One participant took out an interest-only mortgage when her partner was no longer able to work due to disability. Another switched to an interest-only mortgage following redundancy to stay in their home.

> *"I was out of work. I got paid off my job and I had no work. We actually have a secured loan on our house so if we didn't pay the mortgage of the secure loan, they would have taken the house so we went interest-only then."* (90%+ LTV, 11-15 years, Northern Ireland)

> *"When we got into trouble I said 'What do we do?' And they said there are other options available to you."* (< 25% LTV, 6-10 years, East)

"There wasn't a lot of other opportunities at the time and, like I said, repayment wasn't an option so this was the only way to get the property." (25-74% LTV, < 12 months, South East)

For some constrained customers, an interest-only mortgage was the only way for them to fund improvements to their home, or to upgrade their living arrangements. For example, one participant took out an interest-only mortgage in order to upgrade from a three-bedroom to a five-bedroom home in order to accommodate a larger family following a new relationship. For these customers, an interest-only mortgage was the only way for improvements and upgrades to be financially feasible in the short term.

"It's just purely cost. I mean it just made it affordable." (75-90% LTV, < 12 months, North West)

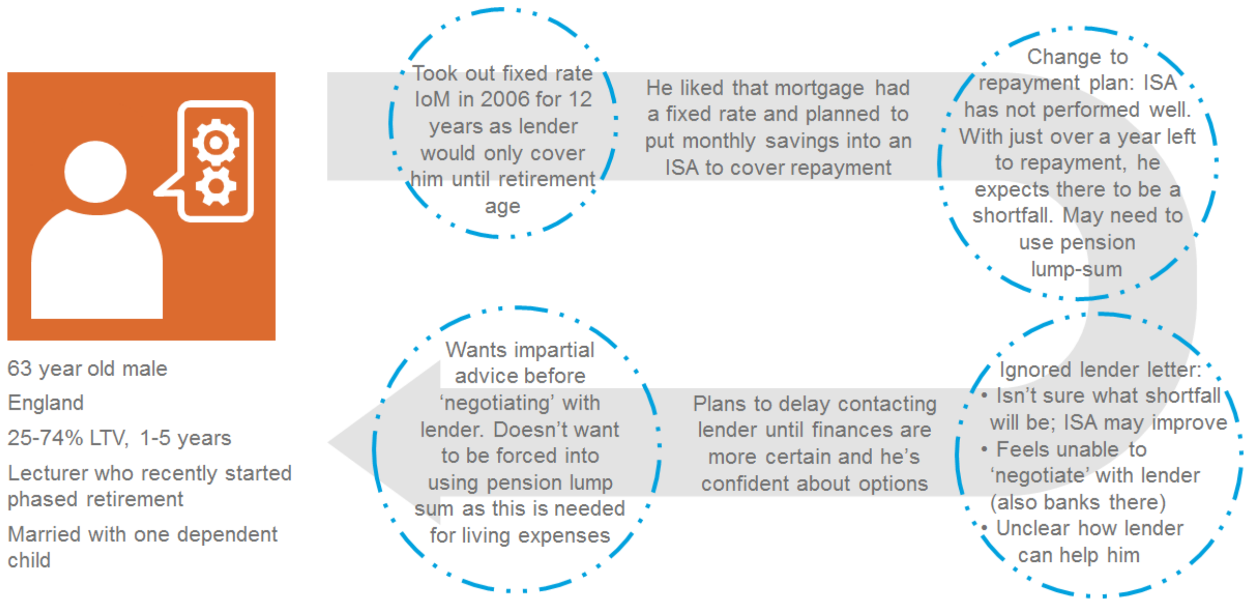
As with confident customers, constrained customers tended to be similarly distrustful of financial institutions and lenders. This group also described direct experiences that informed their views about lenders. For example, negative customer service experiences or past instances of being sold products that had not performed, including endowment policies or other investment vehicles.

"[I have a] healthy scepticism from someone that is trying to sell me something, what is in it for them?" (90%+ LTV, 11-15 years, London)

"I feel I can't speak to them because they're so ignorant on the phone." (90%+ LTV, 11-15 years, Northern Ireland)

Distrust of lenders' motives underpinned some of this groups' fears that admitting to their lender that they were having difficulties could result in a worse outcome:

"If I initiate that discussion with them, I am not sure whether they'll say 'What do you mean you can't pay off that lump sum. What is the problem? Why do you want to extend? We don't see a pressing need to extend the mortgage.'" (25-74% LTV, 1-5 years, East)



As with the previous group, many also assumed a lack of need to respond because the letter was generic with no clear call to action and responding did not seem expected or required.

This group also included customers who felt unable to respond to communications from their lender because their repayment plans were uncertain or evolving. They were unsure if there would be a shortfall and were waiting to have more concrete information before responding to their lender. For example, one customer had put his house on the market and was optimistic that the value would cover his mortgage repayment, but he was waiting to see what happened before speaking with his lender. Others were hopeful endowments or other assets would increase in value and take care of the shortfall, but were similarly uncertain about specific amounts.

> *"I don't have the facts yet to be able to have a sensible discussion with them."* (25-74% LTV, 1-5 years, East)

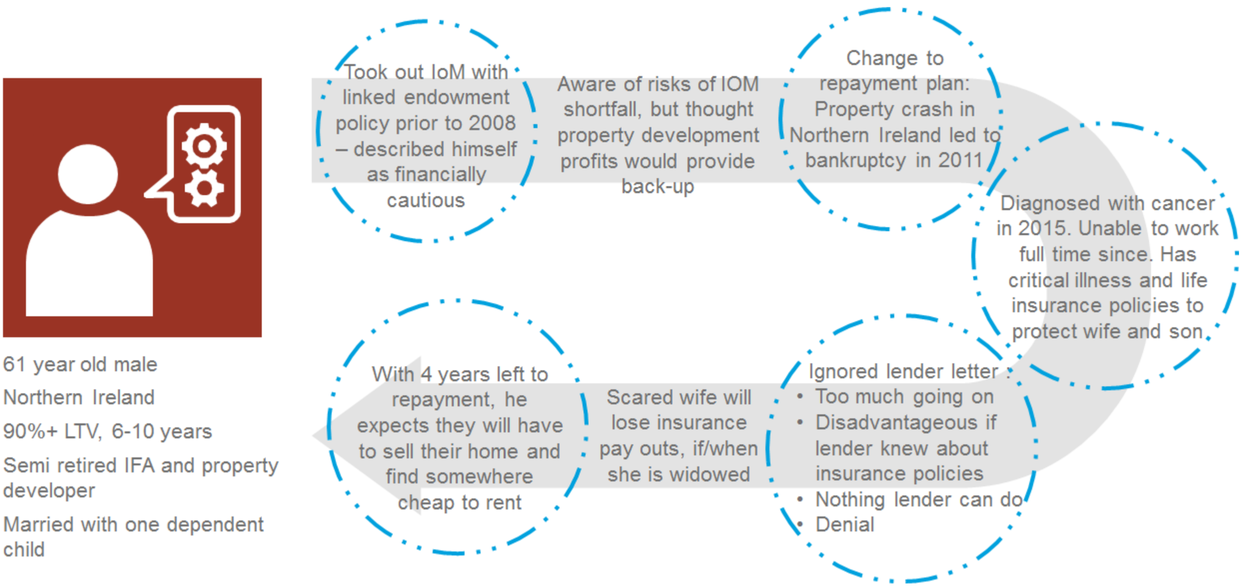
3.3 Insecure customers

Insecure customers felt they had no options to repay their interest-only mortgages. They typically had no or inadequate repayment plans, due to bad or worsening personal and financial circumstances. For these customers, the consequences of a shortfall were likely to have a large impact on their lives.

Customers in this group tended to have lower financial knowledge and savviness, compared to the other groups; although this was not uniform, and indeed this group included a former IFA. Generally, this group included a mix of professionals (e.g. teachers, nurses) and low-wage workers (e.g. cleaners).

> *"I was the first in the family to take a mortgage so I didn't know how loans and that worked."* (90%+ LTV, 6-10 years, Northern Ireland)

A key pattern in this group was the fact that most had experienced an adverse life event that affected their financial circumstances. Some had experienced personal difficulties such as divorce or an illness that meant they were unable to work. Others had experienced financial hardships, such as bankruptcy following the property crash in Northern Ireland. A few had experienced both personal and financial difficulties, which had worsened their circumstances and plans for repaying their interest-only mortgage.



As with constrained customers, customers in this group typically described reactive reasons for taking out an interest-only mortgage in the first place. For some, this involved following advice from others (for example, a financial adviser or partner) without fully understanding the terms of the mortgage or the potential risks. For others, taking out an interest-only mortgage was the only option they felt was open to them. For example, one participant was already in a substantial amount of debt before taking out an interest-only mortgage in order to minimise monthly outgoings. Another switched to an interest-only mortgage following her husband's redundancy, as the 'only option' to stay in their home.

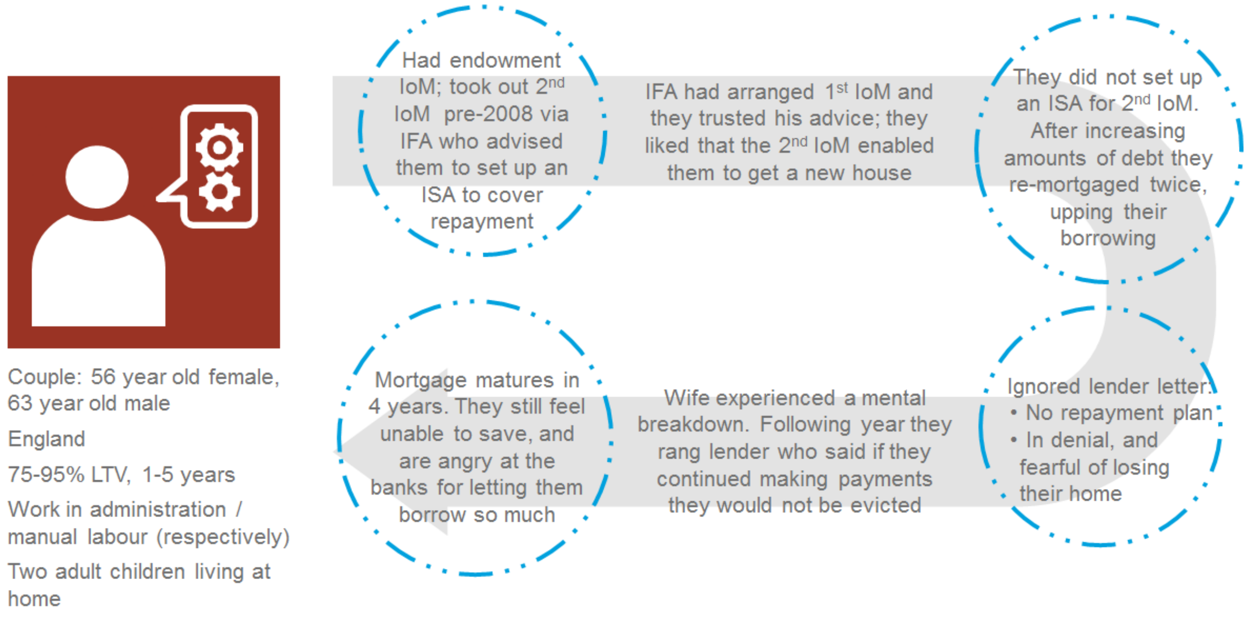
> *"They told us it was an interest-only mortgage, but I can't recall getting many other details. At the time we were just struggling, so we just went for it as it seemed like our only option."* (90%+ LTV, 6-10 years, North East)

> *"I trusted what [my ex-husband] was doing… I didn't understand any of it to be totally honest."* (25-74% LTV, 6-10 years, South East)

> *"The only way that I ever felt happy was out spending and things like that, so we got ourselves in quite a lot of debt and that's why we re-mortgaged."* (75-90% LTV, 1-5 years, West Midlands)

Customers in this group who had made an active (or positive) choice when taking out an interest-only mortgage were those who had also taken out an endowment policy to cover their repayment. Customers described being enticed by the appeal of an endowment policy that would not only pay off the capital but deliver a lump sum at the end of the mortgage term. However, the failure of these policies to perform as expected meant customers in this group were now facing a considerable shortfall.

> *"Historically you'd have ended up with more money than you needed at the end of the term...you would be quids in."* (25-74% LTV, 1-5 years, South West)



There were many reasons why customers in this group did not respond to communication from their lender. Most were anxious or in denial and did not want to confront their situation. In particular, people in this group assumed there was simply nothing the lender could or would do to help them, and therefore felt there was no benefit to responding.

> *"It serves no purpose whatsoever. I know I owe the money and being told it doesn't actually help 'cos it doesn't offer any constructive approach to anything I've noticed."* (25-74% LTV, 1-5 years, South West)

"It's too late now. Nothing would help." (90%+ LTV, 6-10 years, Northern Ireland)

Others feared further negative consequences if they got in touch with their lender. For example, some thought their homes would be taken away sooner or their lender would try to take other assets.

"At the moment we're paying the mortgage so they probably think they've got nothing to worry about. Until we tell them we're not in a position to pay it they're not going to be none the wiser." (75-90% LTV, 1-5 years, West Midlands)

As with the constrained group, some had understood the call to action in the letter but felt unable to provide details about their repayment plans; either because they were unsure or did not have a plan in place. Others simply had too much going on at the time to respond to their lender, such as a serious health or family issues.

Negative emotional and moral barriers were particularly important for this group, often compounding the above reasons for not responding to lender communications. Some were angry or fearful upon receiving the letter, and some felt that the tone of the letter was threatening. In particular, many in this group were in denial; they did not want to face reality. This included not facing the consequences of a shortfall, with some believing that their property would not be at risk despite being unable to repay their mortgage. One participant felt that their lender would not force them out of their home despite their inability to repay the mortgage because the lender would want to avoid the negative attention this would attract:

"They don't generally like to be seen throwing old people out of houses. It's not good PR." (25-74% LTV, 1-5 years, South West)

"In hindsight, I regret my business decisions. I don't want to engage or communicate with [my lender] about it. I made bad decisions – and I couldn't control others' actions." (90%+ LTV, 6-10 years, Northern Ireland)

Several customers in this group were vocal about their belief that the lender, the financial industry, or government (or a combination of all these entities) was at least in part responsible for their current financial situation and not being able to repay the balance of their interest-only mortgage.

4. Need and strategies for further engagement

Need for discussing repayment options varies by customer group. However, the purpose and benefit of engaging is largely unclear for all groups.

To encourage greater engagement, communications need to address this lack of clarity and be tailored to individuals to create a sense of urgency, using simple language and an approachable tone.

Those most likely to benefit from discussing options (those with insecure circumstances) tend to have the lowest understanding of how the lender or others (e.g. Money Advice Service and the Citizens Advice Bureau) might be able to help them.

In this section we explore the need for engagement of each of the three customer groups – confident, constrained, and insecure – and then discuss the implications for developing strategies for further engagement.

Some of the strategies were suggested by participants themselves while others were inferred by the research team based on reasons participants gave for not engaging with their lender. It is important to state that these strategies are untested and should only be used as guiding principles for communications.

4.1 Need for further engagement

The FCA would like all customers with an interest-only mortgage to engage with their lender about their plans for repayment as early as possible in the life of the mortgage to maximise the options available. However, the extent to which customers felt they needed further engagement with their lender varied across each of the customer groups. Confident customers did not see a personal need to engage – either because they required no support or input with their repayment plans, or because they preferred to get financial information and guidance from other sources, such as an IFA.

> *"[The letter] was of no relevance to me at all, I know what I had to pay and how I was going to pay it."* (< 25% LTV, < 12 months, London)
>
> *"I'd be better off speaking to the IFA and having that wider discussion around my portfolio and my intentions and I wouldn't feel comfortable speaking to someone from one organisation*

about that because they are not going to tell me what's in the market, they are going to tell me what they can offer." (75-90% LTV, 11-15 years, East Midlands)

At the other end of the scale, insecure customers seemed to have the strongest need to explore repayment options. However, this group also tended to have the lowest understanding of how their lender might be able to help them with this. Unlike the other groups, insecure customers tended not to be aware of existing sources of information and guidance. As with other groups, they wanted and preferred independent advice, but were less likely to know how to access it.

> *"[I need] someone who can advise on the next steps, can say OK you're doing the right thing, you're getting the house tidied up and in the next two years you need to put it up for sale."* (75-90% LTV, 1-5 years, West Midlands)
>
> "*[I need] someone who could give some impartial advice*." (25-74% LTV, 1-5 years, South West)
>
> *"I think it would be very handy if somebody – and I don't see why somebody like the FCA couldn't take the lead here – is to lay out the options. We ought to be able to use the equity in this place in a constructive way and it would be useful for the lenders to work out the odd scheme to facilitate that."* (25-74% LTV, 1-5 years, South West)

Positioned between these two groups, constrained customers clearly had some need to discuss repayment options with their lender; for example, clarifying terms of their mortgage and/or exploring changing the terms of their mortgage, such as an extension or remortgaging. As with other groups, constrained customers tended not to trust their lender and preferred to speak to someone else for fear of disadvantageous consequences.

> *“Everyone is frightened of lenders... your home is your security.”* (75-90% LTV, < 12 months, Yorkshire & Humber)

In spite of this low perceived need for engagement with lenders, customers across all three groups – especially those nearing maturity – expressed a desire for more information about the practical steps in completing repaying the balance of their interest-only mortgage upon maturity. The need for practical guidance highlights a widespread lack of clarity about how interest-only mortgages work. It also suggests that these customers may be more receptive to engagement from lenders if communication is tailored to their needs and interests.

> *"When the mortgage ends, what happens? Do the payments just stop coming out of my account? Does [my lender] make contact with the endowment people? Will [my lender] give me the deeds? I just don't know what happens at the end."* (< 25% LTV, < 12 months, East)
>
> *"Actually that's cutting it short. Surely I should have heard from them by now?"* (25-74% LTV, < 12 months, London)

4.2 Overarching strategies for engagement

To engage successfully with customers, lenders’ communication strategies need to address the multitude of barriers customers’ experience. While there are some strategies specific to each of the three customer groups, we first discuss a number of overarching strategies that may increase engagement across all customer groups. These focus on three areas – making the communication feel relevant to individual customers; providing a clear rationale for responding; and making it easy for customers to respond.

It is important to note here that one of the key challenges to this research was the quality of MI provided by the ten lenders in our sample. The sample included a high volume of incorrect, missing or out of date details – e.g. phone number is for a previous place of work, no addresses. The addresses of customers limited our ability to cluster customer homes, necessary for efficient fieldwork, and a high proportion of customers were located in London/South East. Most crucially, the sample included a high number of individuals who had actually had contact with their lender.

As stated in the FCA report: Lenders have comprehensive MI relating to the value, volume and maturity profile for their interest-only books. However, MI relating to more specific aspects of their strategies such as repayment methods, response rates to contact campaigns and oversight of customer outcomes was more limited. In order for lenders to apply the suggested strategies that may increase engagement across all customer groups, they could analyse and segment their existing books in order to understand the extent to which each of the customer groups are present and to tailor communications accordingly.

4.2.1 Making communications feel relevant

One of the most common reasons for customers not responding was that they assumed they did not need to; either because the letter was generic, lacked a clear call to action, or was not followed up. To address this, communications could include the following:

- **Personalised information about the customer and their mortgage.** For example, the outstanding balance, interest rate, date of maturity and what is known about the repayment strategy. Providing this information may help to clarify customers' mortgage situation, but also stop customers from assuming the communication is automated and for informational purposes.

  "I would expect a letter at an appropriate time, this is when you're due to pay, and this is the amount outstanding. Get in touch with us if you need to talk about it." (< 25% LTV, 1-5 years, London)

- **A clear call to action**. Many customers simply did not understand that their lender expected them to respond, so there needs to be a clear ask.

  "It seemed to me like a generic letter, rather than specific. It was kind of like, there may be a shortfall on your mortgage, have you got plans in place for this. It was very loose, rather than specific, is how it felt to me. And I thought, we've done this. We've got a mechanism in place to ensure we don't have a shortfall." (25-74% LTV, 1-5 years, East)

4.2.2 Providing a clear rationale for responding

Another important reason for customers not engaging with their lender was the belief that there was no benefit in doing so. Customers felt that they did not need to discuss options, there was nothing the lender could do to help them, or that engaging with their lender might actually make their situation worse. To address these barriers, communications could include the following:

- **Clarity about potential benefits of engaging.** Lenders need to show that there is a benefit to customers engaging with them. This could be demonstrated in different ways; for example, highlighting possible repayment options; using case studies to illustrate different situations and options; or by signposting to other sources of information and advice.

  "Give the possibility of options. If there are options, say what they are." (25-74% LTV, 1-5 years, South West)

"Some options...to give people some leeway, instead of putting the fear of God into people...especially about having their house taken away from them, not having a roof over their heads." (75-90% LTV, 6-10 years, Northern Ireland)

“If we were having problems then it would be good. There’s all these phone numbers and you can look up people and get help or advice.” (< 25% LTV, 6-10 years, East)

Another benefit to engaging with the lender is that it opens up an opportunity to re-build trust between the lender and the customer through an open dialogue where the lender and the customer work together to find a solution.

- **Information about practicalities of repaying the balance.** Customers described a need for practical information about their interest-only mortgage; specifically, details of what will happen when they reach the end of their mortgage term. Providing information of this nature might encourage customers to engage with their mortgage, perhaps indirectly encouraging them to engage with their lender.

  “It would be useful for [my lender] to get in touch about 'When is your End of Term, and what will happen'...but I know they will say 'Give us our 200 grand.'" (75-90% LTV, < 12 months, Scotland)

  "Nothing would help me now, but please inform me what happens at the end. About negative equity, about the house. Should I leave it to the last minute?" (90%+ LTV, 6-10 years, Northern Ireland)

4.2.3 Making it easy for customers to respond

Many of those we spoke to had not responded to lender communications because they did not feel able to. This was either due to a lack of understanding about what they had been asked to do, the response options not fitting their circumstances, or because they were dealing with other issues in their life that meant responding was not a priority. In order to make it easier for customers to respond, communications could include the following:

- **Comprehensive response options.** If a lender is providing tick-box responses to capture customers’ repayment plans, the list should be comprehensive or allow for an open response or the selection of multiple options.

  “They said ‘Would I let them know what my plans were for the end of the term. And they gave tickboxes for you to send it back. None of it applied to equity release, so I wasn’t ticking anything.” (< 25% LTV, 6-10 years, East)

- **Options for other channels of contact.** Many customers simply had a preference for dealing with complex matters over the phone or in-person and wanted to have this as an option.

  "It would be useful to me and probably useful for my bank to have some type of phone call or discussion to say 'Well where am I at this point? Will I be aiming to pay it all off? How am I feeling about it?" (< 25% LTV, 1-5 years, South East)

  "It's good to receive a letter but it's also good to speak to someone. I think that's important. The letter has certain instructions but it doesn't allow any two-way communication. I could take the letter and read it and think 'I don't have any other options apart from paying this off or getting another provider', but there may be some other options. But how do you know that unless you're prepared to get someone to talk to me and discuss this?" (< 25% LTV, 1-5 years, South East)

"There's nowhere in branch that you can have a personal private chat, others could hear it. So I prefer to talk to the bank now on the phone from the privacy of my home." (90%+ LTV, 6-10 years, North East)

4.3 Strategies for engagement with each of the customer groups

Fine-tuning communication by using the strategies described in section 4.2 will maximise the likelihood that customers with interest-only mortgages will engage with their lenders. There are, however, drivers to non-engagement that should inform communication strategies for each of the customer groups.

4.3.1 Confident customers

As mentioned in section 4.1, confident customers tended not to engage with their lender because they felt they were 'sorted'. Confident customers will likely be difficult to engage simply because they feel there is no benefit or need for them to do so:

"They're getting quite a lot of money out of me. What are they doing for me? It has to benefit me." (75-90% LTV, 1-5 years, West Midlands)

"I assumed they were alerting me mostly for their own benefit, how they were going to get their loan back." (75-90% LTV, 1-5 years, West Midlands)

Lenders need to make clear to these customers that there is some benefit to them in responding other than the lender gathering repayment information. Lenders could offer some incentive to customers for responding, such as an understanding that once they have spoken to the customer and have an understanding of their repayment strategy, they will tailor their communications accordingly. For example, perhaps not contacting the customer again until later down the line and recognising that the customer will contact the lender if their circumstances change. However, this incentive is unlikely to motivate all confident customers to engage as for some, communication from their lender may only prompt them to review their situation.

"Explaining my plans to the mortgage company - I didn't see the relevance of it. But as a prompt for me to review my situation, it's okay." (90%+ LTV, 6-10 years, Scotland)

4.3.2 Constrained customers

Constrained customers had a need and desire for information about their mortgage and options that were available to them if they were having difficulties. As discussed in section 4.1, constrained customers felt it would not be to their advantage to engage with their lender, and were reluctant to discuss repayment options and admit to their lender that they expected difficulties with repayment. As a result, some constrained customers expressed a desire to understand options without discussing their own situation:

"[I think lender letter should say] You can seek information anonymously from the lender." (90%+ LTV, 6-10 years, Northern Ireland)

This was especially true for customers that held other accounts with their lender. They thought their lenders would force customers into particular repayment plans as they could see how much was in their current and savings accounts. To engage these customers, lenders could provide assurances to customers about the lender's role in working with customers to discuss options and come up with a plan together. Alternatively, lenders could set up a helpline or provide information about repayment options on a webpage, where customers could get more information about repayment privately. Referrals could also be made to Independent Financial Advisers, Mortgage Brokers, Money Advice

Service or the Citizens Advice Bureau who will be able to help customers and are not directly affiliated with the lender.

Constrained customers who were feeling anxious about their circumstances needed reassurances that they will be protected in some way. As far as possible, lenders' customer services and other staff should seek to be open, non-judgemental and non-threatening in their communication with customers. This may lessen anxiety about engagement and encourage responses.

> *"[I'd like to be told] 'We'll put a plan in place, you're not going to be left homeless, without a roof over your head'."* (75-90% LTV, 11-15 years, Scotland)

4.3.3 Insecure customers

While insecure customers had a clear need to discuss repayment options, they were often anxious or in denial about their situation and more likely to need additional support to consider their repayment strategy. Like constrained customers, insecure customers also expressed a desire for impartial advice:

> *"I'd rather hear from MAS… They're there to give advice, which is separate to a lender who just wants you to borrow their money."* (90%+ LTV, 6-10 years, North East)

As with constrained customers, lenders could provide options to customers without discussing their own situation and provide assurances to customers about the role of the lender working with customers to come up with a plan together.

The relative vulnerability of some insecure customers (for example, those in poor health, or facing bereavement or family breakdown) makes it even more important that communication is non-judgemental, uses non-threatening language, and contains open and constructive messages. For example, rather than bluntly stating facts that these customers may struggle to face (such as, "You owe £xxx. This is your responsibility"), communications could aim to start a dialogue and provide some way for customers to feel there are things they can do to change their situation (for example, identifying possible options, signposting to other sources of information and support).

> *"[I'd like to see the message] 'If you have not got a repayment plan, this is what you can do now', not just 'Contact us.'"* (90%+ LTV, 6-10 years, Northern Ireland)

> *"You'd be less likely to ignore a letter if you felt it was non-threatening."* (25-74% LTV, 1-5 years, South West)

Finally, some insecure customers struggled with financial jargon and were unsure or did not understand communication from their lender and what was required of them. For these customers in particular, it is important that lender communications are written in such a way that even those with limited financial knowledge can understand what is being asked. For example, letters could avoid jargon and clearly define financial terms, such as LTV ratio, maturity, and repayment vehicle.

5. Conclusions and recommendations

This section summarises key findings in relation to the aims of the research and considers the implications of these findings for lenders' communications strategies.

Overall, this research highlights that customers who are not engaging with their lender are a broad group with widely varying circumstances and characteristics. The primary difference between them is how they feel about their circumstances; specifically, whether they feel confident, constrained, or insecure about their repayment plans. It may therefore be helpful to think about disengaged customers in terms of these three groups:

- **Confident customers** – those who are confident about their repayment plans, and typically have multiple repayment options at their disposal
- **Constrained customers** – those who feel they have some repayment options, but these are either uncertain or not ideal
- **Insecure customers** – those who feel they have no repayment options and are either resigned to losing their home or still in denial about their situation

Their reasons for not engaging with their lender are varied and often multi-faceted. Some reasons are specific to certain groups of customers (particularly those in denial about their situation), but there are also a number of common barriers. These include a lack of perceived need to respond to communication from lenders, the perception that there was no benefit to responding, and scepticism about the motives of lenders in seeking a response. Beyond this, it may be helpful to focus on the different behavioural drivers underpinning why customers were not engaging. These included:

- **Rational drivers** (often the reasons that customers focused on most obviously) such as a lack of perceived benefit from responding, practical challenges to responding (for example, not understanding the communication), and scepticism about the motives of lenders in seeking a response
- **Moral and emotional drivers**, such as whether the communication upset them or prompted questions about who was to blame for their situation – both creating emotional states which act as a barrier to engagement
- **Subconscious drivers** (inferred by the research team in relation to customers' responses) such as assumptions about a lack of need to respond, or uncertainty about repayment plans, again acting as a barrier to engagement

Customers' need for discussing repayment options (both self-perceived and inferred by the research team) varies according to their circumstances.

- Those who feel **confident** about their repayment plans tend to see no benefit from engaging with their lender, beyond maintaining a relationship (for some).
- Those with **constrained** repayment plans may benefit from some contact with their lender, particularly around clarifying timings, calculations, and potential options.
- Those with **insecure** repayment plans would certainly benefit from discussing repayment options. However, denial and low awareness of options among this group means they are likely to need prompts and support to consider the options available to them.

So what does this mean for encouraging customers to engage with lenders? The barriers to engagement highlighted by customers in this research suggest clear implications for improving lender communications (see section 4). It is important to state, however, that our recommendations are untested and require further research to test effectiveness of the suggested strategies.

In order to encourage as many customers as possible to respond to lenders' communications, there are several crosscutting strategies that are likely to encourage customers across all groups (section 4.2), namely:

- Making communications feel relevant to individual customers
- Providing a clear rationale for the need for customers to respond and a deadline by which they should do so
- Making it easy for customers to respond to communications from the lender

There are, however, key differences between customer groups. To maximise likelihood that customers engage, lenders' communications strategies should also be tailored and mindful of customers' varied circumstances and needs (section 4.3). As an example, lenders could implement the crosscutting strategies discussed, and use messaging that appeals to the different customer groups. For example:

- Once you respond, we will ensure your account is updated and you will not continue to receive these letters (Confident)
- If you need to talk through other mortgage options, please get in touch (Constrained)
- If you are worried about repaying your mortgage balance, we can offer you information about the options available to you (Insecure)

For those that do not respond, lenders could follow up, either with another letter or by phone. This will emphasise that they are expecting a response, thereby tackling assumptions that the letter is simply a generic communication.

Lenders could also explore using the underlying behavioural drivers – *how customers feel about their ability to repay their mortgage* – to better understand their customers. For example, completing a review of their interest-only book to assess the information held to identify which of their customers might be in greatest need of additional information or support according to how they feel about their current repayment options (confident / constrained / insecure). Subsequent communications could be tailored to meet the needs of customers according to how they have self-identified; for example, whether the lender follows up by telephone or post; or whether they signpost to further information and support.

Even with improved communications, there are still likely to be customers who will be difficult to engage; particularly those who are distrustful of lenders and those in denial about their situation. With the broader goal to encourage customers to engage with their interest-only mortgage and consider repayment options, the lenders role in these cases may be limited to identifying those most in need and signposting them to other sources of support, such as Independent Financial Advisers, Mortgage Brokers, Money Advice Service, or the Citizens Advice Bureau. If customers do discuss their mortgage with an outside party, they might feel reassured or more confident about their repayment plans, which may result in improved response to lender communications.

Appendix A – Achieved sample

Figure 1 summarises the achieved sample for the two primary recruitment criteria – remaining mortgage term and LTV ratio of customers' interest-only mortgages. Further detailed sample tables including secondary recruitment criteria can be found in the Technical Report – Sample, Recruitment and Challenges, section 1.

Figure 1: Achieved sample (primary criteria)

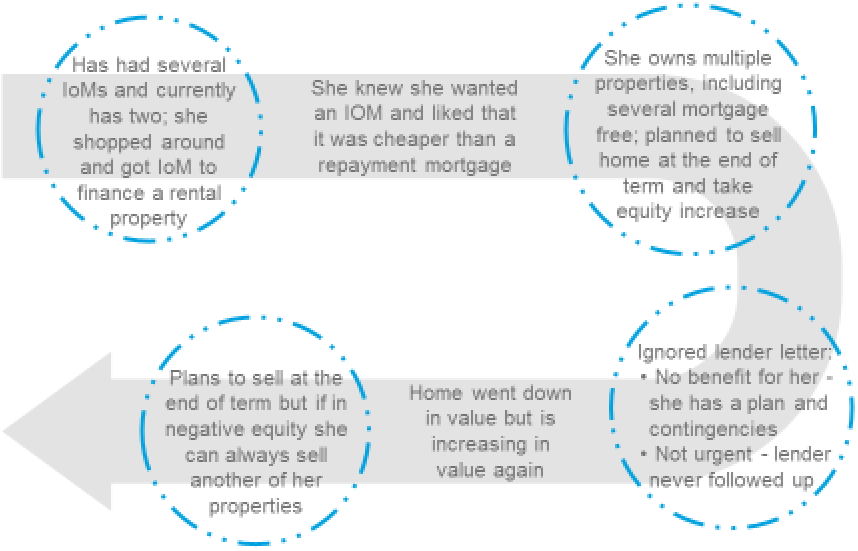
Type	Description	Achieved
Remaining mortgage term	< 12 months	13
	1-5 years	14
	6-10 years	10
	11-15 years	8
LTV ratio	Over 90%	11
	75-90%	14
	25-74%	10
	Under 25%	10
	TOTAL	**45**

All interviews were digitally recorded, with participant consent. The data were thematically organised and analysed using a 'Matrix Mapping' approach. This robust analytical method allows researchers to draw out the diversity of opinions expressed by individual participants, as well as identifying common themes across interviews. Further details of the methodology used for sampling and recruitment are discussed in the Technical Report - Sample, Recruitment and Challenges, section 1.

Appendix B – Additional Participant Case Studies

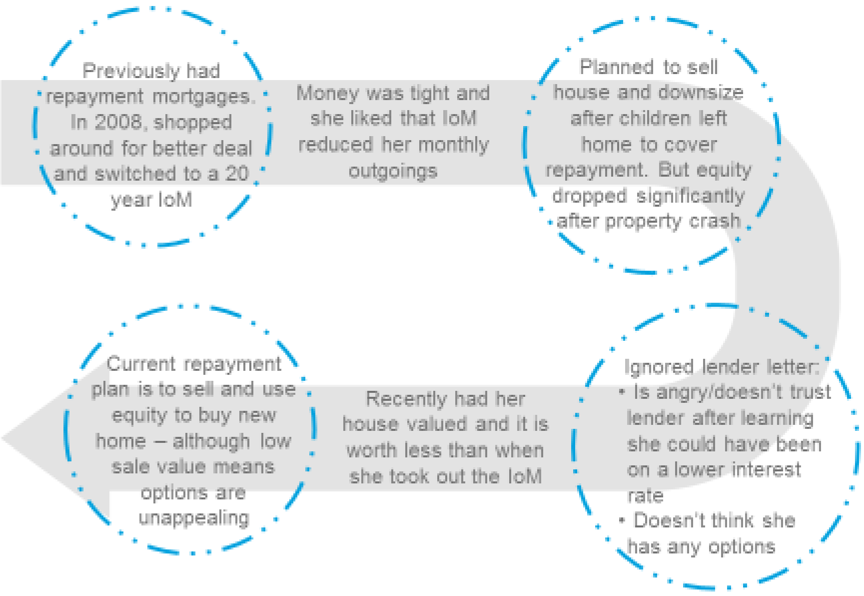
Confident

58 year old female
England
75-90% LTV, 1-5 years
Self-employed, part-time work in education
Single mother of one dependent child

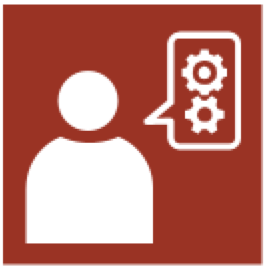


Constrained

60 year old female
Northern Ireland
75-90% LTV, 6-10 years
Teacher
Lives alone (adult children have all left home)



Insecure



60 year old male

Northern Ireland

90% LTV, 6-10 years

Retired teacher; wife works part-time in health service (low wage)

One dependent child (others have left home)