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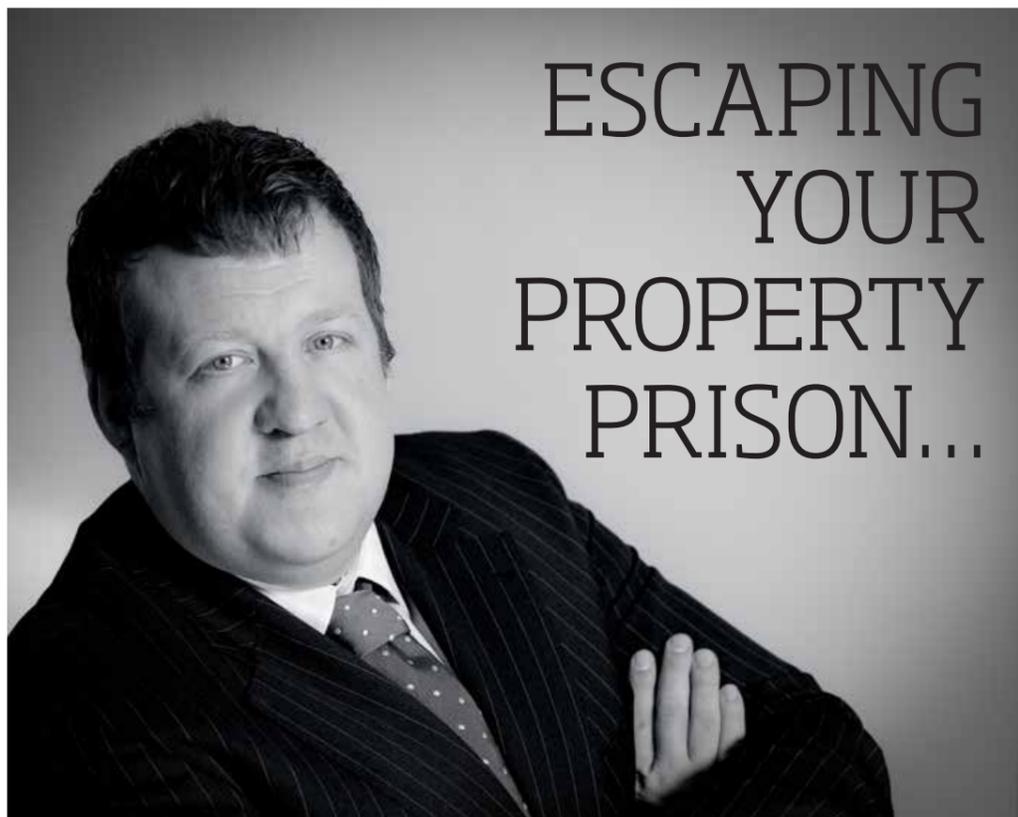
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## Eye on Property



# ESCAPING YOUR PROPERTY PRISON...

Many people in NI are currently imprisoned in their homes... They haven't done anything wrong... The wardens (i.e. the Mortgage Lenders) know the inmates are innocent... If this was a movie pitch (Shawshank Redemption ??) then no one would believe it could actually happen...

- Illness - critical health issues and potential disabilities mean your existing residence is unsuitable.
- Financial - redundancy, reduced earnings, the seemingly-endless squeeze on disposable income, increased mortgage payments (an increase in interest rates/ end of an Interest-only period).
- Relocation - change of job location.
- Structural - Damp, flooding, fire etc

These are all every day occurrences resulting in people selling their property and moving on with their lives, right?

Err, wrong - there are a huge number of people who feel trapped in their property because their mortgage is substantially larger than the current value of their property... the Negative Equity Prison.

A third of homeowners in Northern Ireland are currently thought to be living in this prison - not a problem for those inhabitants for whom any of the above criteria is not relevant. However, for any inhabitants needing to move and feeling unable to then it's really not an

understatement to say they feel imprisoned. The stress that such situations place on individuals and families is immense and the long-term impact on both this and future generations is virtually impossible to quantify.

The question is this...why should any of these people feel imprisoned? The reasons above are all very valid reasons as to why an individual or individuals find themselves needing to dispose of their property. Is it right for any Mortgage lender to prevent a property being sold provided it meets the above criteria? Surely it is within the essence of any Mortgage Code of Conduct that circumstances will arise that could cause the mortgagee to require to sell their property and hence cut-short the mortgage term? Circumstances exactly like the above...

Regulations/guidelines, which aren't as black and white as they should be, lead us back to the days of "light-touch" regulation and the beginnings of the current financial crisis. What can't be forgotten is that the banking

meltdown left mortgage lenders facing a very uncertain future and only a massive taxpayer-funded bailout stabilised matters and ensured their very survival. What has happened since then? Well, regulations have been re-written (more about preventing future meltdowns rather than addressing the continuing issues) and financial institutions have been recapitalised.

In order for the banks to be recapitalised, they have all had to revalue the assets on their balance sheets in order to get a clear picture as to the extent of the potential losses. They have then put their hands out and, by and large, have been given sufficient capital to survive.

So, even though an individual or individuals may have very sound reasons to need to sell their property and the mortgage lender has already written down the property value and been compensated for their capital loss - some lenders are still refusing to allow the property sale!!!

It certainly shouldn't be forgotten that the homeowner has also lost the initial equity they put into the property when they purchased it.

Mortgage lenders and regulators need to clarify grey areas like this as quickly as possible - people are being forced into impossible situations and are suffering duress unnecessarily.

Please bear in mind when reading this that we are not even talking about debt write-down - that discussion, if even applicable, comes once the agreement to sell is confirmed.

### Eye

**If you wish to discuss any aspect of the above article then please don't hesitate to contact Ajay at CD Fairfield Capital Limited on 028 9023 6074 or email [ajay@cdfairfieldcapital.com](mailto:ajay@cdfairfieldcapital.com) at any time.**

**Ajay Sharma has over 13 years' experience working in both lending and treasury functions of NI banks. Since leaving banking, Ajay has consulted on debt restructuring, treasury management, interest rate swap mis-selling and investments. He joined the CD Fairfield Capital team in August 2013.**