



The pros and cons of Mortgage Payment Holidays

The end of June signifies the end of the initial three month period of Mortgage Payment Holidays announced in March. However, with the recent announcement of the extension of the scheme until 31st October, many property owners will be asking whether they should extend or apply for a Mortgage Payment Holiday, and what exactly are the pros and cons of doing so?

FCA Guidance: If you can afford to resume or make payments, you should

The Financial Conduct Authority (FCA) recently released guidance stating that if you can resume payments after having taken an initial payment holiday, then you should. In the long run, it is generally in your best interest to resume or continue mortgage payments if you can. This is due to the possibility of a payment holiday extending your mortgage term, affecting your credit, or increasing the total amount you need to pay back. However, with the financial strain that the COVID-19 pandemic has imposed on many people, a mortgage payment holiday may still be the best option for you. Below is some further guidance on the options, but the best thing you can do is to contact your adviser to discuss your individual circumstances in more detail.

Extending your current mortgage payment holiday

Before your current payment holiday comes to an end you should assess how much you may be able to contribute towards paying your mortgage each month going forward. Make contact with your adviser and mortgage lender in good time to discuss your options if necessary. You can either re-start your full mortgage payments, pay partial mortgage payments, or extend your mortgage payment holiday. If you find you are in a better financial position than you had expected at the start of your payment holiday, then you can avoid extra costs by paying what you can. Bear in mind that if you decide to extend your payment holiday you'll need to follow whichever process your particular mortgage lender has put in place, as they're not all the same.

Applying for a mortgage payment holiday

If you haven't yet taken a mortgage payment holiday but may need one in the future, you now have until 31st October 2020 to apply for a three month mortgage payment holiday. You should only decide to reduce your mortgage payments if you need to, as during the payment holiday interest will continue to build – unless your mortgage lender has told you otherwise – and your mortgage payments may be higher after the payment holiday. If this is something you feel that you need in the current economic climate, please contact your adviser and mortgage lender to discuss your options. It's also important that you follow your lender's procedures and do not simply cancel a direct debit as this could be counted as a missed payment and show up on your credit file.

Whichever decision you decide to make, rest assured that we'll be here to advise you every step of the way.