



# Code of practice for mortgage arrears

Please read this document as it  
contains information, which may help you.

# Introduction

This code of practice sets out the principles we will follow if you are having difficulty in keeping up with your monthly mortgage payments.

## General principles

We recognise that if your mortgage account is in arrears, it needs to be looked after by experienced staff. Our Financial Support Department has overall responsibility for all accounts that are in arrears.

You should tell us as soon as you get into financial difficulties.

If you chose not to take out mortgage payment protection insurance and you fall into arrears, we will not treat you any differently to people who have this insurance.

If you are having problems paying your mortgage, our staff will tell you about debt advice organisations which we recognise and which can give you help and advice.

For example, you will be able to get help from:

- **Citizens Advice Bureau**      [citizensadvice.org.uk](https://citizensadvice.org.uk)
- **Payplan**      [payplan.com](https://payplan.com)
- **National Debt Line**      [nationaldebtline.org](https://nationaldebtline.org)
- **Step Change Debt Charity**      [stepchange.org](https://stepchange.org)

If you ask us to, we will work with the debt advice organisations or, if you have instructed a firm of Solicitors regarding your financial affairs, we will work with them to try to agree the best way forward. You could also nominate a friend or family member to deal with us on your behalf. We will need signed, written consent from you before we are able to share details of your mortgage with any third party.

We will tell you about benefits of which we are aware that you may be able to claim, which may help with your mortgage interest payments.

We will try to develop a plan with you to deal with your financial difficulties and to clear your arrears. The plan must be in your and our best interests.

There are Government initiatives that may help you and we can share the relevant details with you if asked. If there are, and we are aware of them, we will let you have the relevant details.

If ownership of your property is shared between, you and a housing association and you have fallen behind with your mortgage, rent or management fees we will work with you and the housing association to try to develop a plan to clear the amount you owe. When a plan is agreed, we will write to you to confirm the details. When arrears with rent or management fees put your property at risk, the Society may repay the arrears, and add this amount to your mortgage in order to protect our security.

When we discuss your mortgage with you, we will take into account any specific needs that you may have and that we may be aware of and we will adjust our approach accordingly.

We will only take possession of your property as a last resort if we have been unsuccessful in making other arrangements for you to repay your mortgage, or agreed arrangements have not been maintained by you. It will still be your responsibility to pay all the amounts you owe, including missed repayments, interest and our legal and administration fees including the costs of taking your property into possession and any outstanding ground rent and management fees if these are applicable.

# How we will handle your arrears or payment shortfall

Our first step will be to try to contact you by letter, phone, email or by visiting you at your home.

We will take into account your working pattern and religious faith when contacting you. You will only be contacted between the hours of 8.00 am and 9.00 pm, unless you have suggested another time that is convenient for you.

We will try to develop a plan to help you deal with your financial difficulties and to clear your mortgage arrears. We will explain how it works and give you time to consider it. The plan must be in your and our best interests.

We will consider your monthly income and outgoings as well as your general financial situation when developing this plan.

We will give you a reasonable time to clear the arrears.

If we are unable to contact you to develop a plan, we will add an arrears administration charge each month your mortgage account has a shortfall in payment of one month's payment or more. This will be added to the capital balance of your mortgage and we will charge interest on this amount. You will be advised in writing before this fee is added for the first time.

If you are trying to sell your property, we will consider this when developing a plan with you. You will need to tell us who is selling it for you, as we will want to speak to them to confirm what you have told us.

If we cannot get in touch with you and you continue to miss repayments or we are not able to develop a payment plan, we will ask our solicitors to send you a letter telling you that we may take legal action to collect the arrears or to take possession of your property. We will tell you about this letter fifteen working days before it is sent. When you get the letter, you will then have seven days to get in touch with us to talk about and agree a plan to clear your arrears.

If you still do not get in touch with us, we will take legal action to collect the arrears or as a last resort, take possession of your property. Any legal fees we incur will be added to your mortgage balance, and will accrue interest.

It is your responsibility to pay all the amounts you owe, including missed payments, interest and our legal and administration fees.

# Ways of helping you

To determine which of the available options is most suitable for you, we will discuss your circumstances in depth and gain an understanding of your individual circumstances and needs. In the course of these discussions, your financial circumstances may be reviewed by the completion of a personal income and expenditure form and further evidence such as bank statements and pay slips may be requested.

The ways we may be able to help you include the below options.

## Change of repayment method

If you want to make your payments by a different method, either for a short period of time or longer term, we would normally agree to this and if we cannot for whatever reason, we will write to you and explain why.

The society accepts several methods of repayment:

### Direct Debit

A Direct Debit is set up to collect your mortgage payment on a monthly basis direct from your nominated bank account on the date you choose from those available at the time it is set up.

Charges will be made by both the Society to cover our administration costs and your chosen bank if there are insufficient funds available to cover the payment at the time we collect your payment.

We will not try to collect a second Direct Debit in the same month if the funds are not available without receiving your explicit request.

### Standing Order

Standing Orders are set up by your bank and are controlled by you. You are able to choose any date during the month to make your Standing Order payment, however if you choose a date later than the 25th of the month, we may not receive this payment until after the end of the month. As a result, your account may show a further shortfall in payment.

## Bank Transfer or Faster Payment

You can make a one off payment directly from your bank account to our account either via internet banking, telephone banking or at the counter of your bank.

Some banks will make this payment immediately by Faster Payment and this will be credited to your account overnight, others send the payment by the 3 day payment system (BACS) and this will cause a delay in us receiving it. You should confirm with your Bank which method they use.

## Debit Card

Payments may be made either by telephoning us on 01325 741043 or at the counter of one of our branches by debit card. We do not accept credit cards for mortgage payments.

## Internal Transfer

If you have a savings account with us, it is possible to set up a monthly payment direct from this account to your mortgage on the date of your choice.

## Change of repayment date

If you want to make your payments on a different day during the month then please ask us. We will normally be able to let you do this and if we cannot for any reason, we will write to you to explain why.

Before we agree to any of the plan options below, we will carry out a review of your income and expenditure to decide what amount you can afford.

## Arrangement

This is a payment plan where you make increased monthly payments until your mortgage is up to date.

## Extend the term of your mortgage

If you have a repayment loan, we may be able to lengthen the term of your mortgage. This may reduce your monthly repayments, but not in all cases.

## Change the type of mortgage

It may be possible for you to change from a repayment mortgage to an interest only mortgage, or from an interest-only mortgage with a long-term investment to a repayment mortgage. This may reduce your outgoings but you must get professional advice before you ask us to do this. We will only allow you to change to interest-only if you have a credible strategy for repaying the mortgage at the end of the term and can provide evidence to confirm this.

## Reduced payments

If you have a temporary drop in your income, for example, because of unemployment, a reduction in your working hours or a temporary illness, we may agree to reduced payments being made to your mortgage for a short period of time. You would have to pay what we both agree is the most you could afford.

By doing this, the amount you owe on your mortgage would increase and we will charge interest on the amount that you do not pay.

If your income is permanently reduced, this may not be the best option for you.

When you are able to, we will ask you to make extra payments to pay back the increased amount you owe on your mortgage.

Any shortfall, even when it is agreed by the Society will result in arrears accruing on the account. This may impact your credit file.

Where changes to your account are agreed while you are experiencing financial difficulties, these will be for a specific period of time, which will be confirmed at the start of the agreement. Any changes will be reviewed on a regular basis; and we will aim to return your account to its original state as soon as it is practical to do so.

## Capitalisation of arrears

If arrears have built up on your mortgage in the past but you are now making the full monthly repayments, we may agree to add the build-up of arrears and interest to your outstanding loan. This is called Capitalisation.

You would then pay this over the period that is left on your mortgage. For us to agree to this, you have to make a plan to clear your arrears and keep to it. This will increase the amount you owe us, and if you have an interest only mortgage with a long-term investment, it might not cover the total amount you owe at the end of the term. We would advise you to get professional advice regarding this. If we believe, you are able to repay the arrears back in a shorter, reasonable time frame we may refuse to capitalise your arrears.

Whenever we agree something with you we will give you a reasonable amount of time to consider what has been agreed and suggest changes if what is proposed is not acceptable. We will then reconsider the situation with you and seek another solution that is acceptable to both you and us.

Any kind of agreement to your mortgage is only available at the Society's discretion and we may not be able to offer all of the above options to you. If you make an offer to us that we are unable to agree to, we will explain why.

# Exit from home ownership

It may not be in your best interests in the long term to remain living in your home, for example when income has been permanently reduced due to bereavement, long term ill health or long term loss of employment.

Once we have fully examined your circumstances, we may suggest that selling your home is the best option. If selling your property is in your and our best interests we will consider letting you stay in the property if this will help it sell more quickly. In most cases, by following these steps and working together, we can prevent a minor arrears problem from becoming a major problem.

While many people may have financial difficulties for a short period of time during their lives, a much smaller percentage will develop large arrears and only a very small number of people will have their property repossessed by the lender.

The Society does not offer debt advice, so although we may suggest selling your home you should seek independent advice to establish if this is the best option for you.

## How we will apply for possession of your property

We will only apply for possession of your property as a last resort when all attempts to get in touch or agree other arrangements have failed. We will have to demonstrate this to the court and explain the actions which we have taken to comply with a regulatory pre-action code of practice.

Our solicitors will send you a letter giving you seven days to get in touch with us to discuss future payments to your account. If you don't get in touch with us or we can't agree on what payments you need to make, an application for a court hearing will be made.

You will be informed of the hearing date and we recommend that you attend the court in person and that you seek independent debt or legal advice.

At the hearing the possible outcome is one of the following:

- **An Order for Possession**

This will say that you need to leave your property within the time scale decided by the court.

- **An Order for Possession (Suspended)**

This will usually say that you need to pay the current monthly payment together with an additional amount. This extra amount will be fixed by the court. Should you fail to make these payments then we will ask the court to let us have an Order for Possession.



We would prefer not to have to take possession of your property, and during the time up to, and after, the court hearing, we will try to keep in touch with you so you have every chance to make a suitable arrangement with us to clear the arrears. If we can do this, we may not have to take possession of your property.

Before we take possession of your property, we will give you advice about getting in touch with your local authority to see if you might be eligible for help with finding somewhere else to live.

If we take possession of your property, we will give you reasonable time to remove your belongings.

## Voluntary Possession

If you have fallen into arrears and feel that there is no way you will be able to repay the debt, you have the right to hand over the keys to your property without needing to go to court. We strongly recommend you discuss this with us or seek independent advice before taking such action.

We will ask you to sign a voluntary possession declaration to confirm the agreement.

## Abandonment

If you leave or abandon your property without telling us first and we can't get in touch with you, we will take possession of the property and sell it on the open market.

Regardless of the way we take possession of your property, you will still be responsible for the mortgage including any interest and other charges added to your account until the property is sold.

## Selling properties in possession

If we have taken possession of your property, we will put it up for sale as soon as possible. We have a duty to get the best price for your property that we can. However, we will not put off any sale in the hope of getting a better price in the future. We will allow enough time for proper advertising to take place so that we can try to get the best price.

## Managing properties in possession

We have dedicated staff who are responsible for co-ordinating the sale of properties in possession. This includes reviewing the offers received from potential buyers as well as reviewing the condition of your property from time to time.

## Valuation

Before putting your property on the market, we will get two independent valuations. Once your property is on the market, the sale price will be reviewed every month.

## Estate Agents

Properties will be marketed through an estate agent. This agent will advertise properties in the local press and in their own publications.

We will ask them to regularly report to us on viewings of the property.

The estate agent will tell us of any offers they receive. Only when they are satisfied that they have got the best price possible, would they recommend that we accept the offer. If the offer is well below the asking price but the agent recommends that we accept it, we will ask them why they are making this recommendation.

## Auction

Sometimes it may be necessary to sell properties in our possession at auction. Any decision we make about this will take into account the number of viewings there have been and how long your property has been on the market. We will ask an auctioneer to help us agree a reserve price based on the number of viewings and the general level of interest shown.

## Proceeds of the Sale

When we receive the money from selling your property, we will use it to settle any outstanding debts in the following way.

First we will pay any legal costs that you still have to pay and any costs that have built up as a result of selling your property. Your outstanding mortgage, including any costs, interest and possession administration fee, will then be repaid. If we are aware of anyone else who has lent you money and has a registered legal charge on your property, they will receive any money that may be left over after our loan has been repaid. If, having done this, there is anything left; it will be paid to you.

If there is not enough money to settle all the mortgage debts, you must be aware that you will still be responsible for repaying these in the future.

# Indemnity Insurance

When you took out your loan, if the amount you borrowed was high in relation to the purchase price and valuation of your property, you may have been asked to pay a 'higher lending charge'. We have used this charge to get a mortgage indemnity guarantee, which acts as extra security for our benefit.

This guarantee will not protect you if we take possession of your property and sell it for less than the amount you owe.

You will still be responsible for the outstanding mortgage debt, including arrears, interest and our legal and administration fees.

If the claim under the guarantee is paid to us, the company providing the guarantee has the right to recover this amount from you.

# If selling your home does not raise enough money to pay off the mortgage

If there is not enough money from the sale to pay the whole mortgage, you will still owe us the amount that is left (a sale shortfall debt). We will tell you what this is as soon as possible.

If you bought your home with other borrowers, each of you is responsible for all the money borrowed. This is true even if you normally only pay part of the mortgage.

We will contact you within six years of selling your property (five years in Scotland) to arrange for you to pay back what you still owe.

To help us do this, at the time that you leave your home, it is essential that you provide us with your new address. Should these details not be provided, we will carry out appropriate searches to find you. Any costs involved in this will be added to the outstanding debt.

We will take account of your income and outgoings when we arrange a payment plan for this sale shortfall debt with you. Should we be unable to come to an agreement for you to make payments to repay the shortfall we may go to court to get our money back. You might have to pay additional court costs.

If a sale shortfall debt is not paid, it could affect whether you are able to get credit in the future.

# Charges we make on accounts in arrears

Before you took out your mortgage, we gave you details of all our administration fees. You can also find these on our website or ask our branch staff.

When you first fall into arrears we will let you know about our charging policy and the standard fees we charge to cover the extra administration costs.

If there are any fees to be paid to solicitors or other firms that have provided a service, we will write and tell you the amount before we add them to your account.

If we add fees to your account we will charge interest on this amount from the date we added them. If your mortgage was taken out after October 2004 and is not a Buy to Let mortgage, any fees we have added will be shown on a statement that we will send to you at least every three months. For all mortgages, fees charged during the year will be shown on your yearly mortgage statement.

We will not charge our standard arrears fee if we have agreed other repayment arrangements and you are keeping to this plan.

# Complaints

If you do not think we have treated you fairly and you wish to register a complaint, please contact us:

**... in writing**

Customer Resolution Team  
Darlington Building Society  
Sentinel House  
Morton Road  
Darlington  
DL1 4PT

**... by phone** 01325 741060

**... by email** [complaints@darlington.co.uk](mailto:complaints@darlington.co.uk)

A copy of our Customer Complaints Leaflet is available from any of our branches or by contacting us on the telephone number given above.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.

They can be contacted at:

**The Financial Ombudsman Service,  
South Quay Plaza, 183 Marsh Wall, London.  
E14 9SR**

If you have any queries about this document, please call us on 01325 741060.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT  
KEEP UP REPAYMENTS ON YOUR MORTGAGE.**



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