

HELP WITH MORTGAGE PAYMENTS

Higher interest rates mean many are struggling with more costly monthly payments. If you're worried about keeping up with your mortgage – or have already fallen behind – there are steps you can take to get back on track.

Discover the help you can get now, including tailored support from your lender and added help if you're entitled to benefits.

If you've not missed a payment, but you are struggling, there are things you can do now.

Contact your lender

If you're worried about your mortgage payments, the first step should always be to contact your lender. The sooner you act the better, as you're likely to have more options before you miss a payment.

Follow these steps to work out what you need to do

1. What to expect from your mortgage lender

Lenders must treat you fairly and consider any request you make to change the way you pay your mortgage.

In response to higher interest rates, the Government launched a 'Mortgage Charter' that enables lenders to offer 'forbearance' in the form of flexible, short-term support. Asking your lender for support will not impact your credit score.

If you're worried about staying up to date with your mortgage repayments but have not missed a payment, these are the three main options you can ask your lender about:

1. Lengthening the term of your mortgage and switching back to the original term within six months.
2. Switching to interest-only repayments for six months.
3. Switching to alternative payment arrangements, such as a mortgage payment holiday.

All these steps come under the 'Mortgage Charter', which means they won't negatively affect your credit file during the six-month period. But if these measures continue past that, then they could affect your credit file (your personal credit history that lenders use to decide whether to lend to you).

2. Ask about lengthening the term of your mortgage

If you're on a repayment mortgage, by lengthening your remaining mortgage term you get longer to pay back the amount you owe on your mortgage. This means your monthly payments will reduce. If you're on an interest-only deal your payments will remain the same.

Here's what you need to know:

- You can expect to choose how long to extend your term by, provided it doesn't take you past your planned retirement age or your lender's maximum mortgage term.
- The longer you extend by, the more your monthly payments will reduce. Extending by 10 years would have a greater impact than extending by five.
- There's no affordability check.
- A term extension will not impact your credit file.

Under the 'Mortgage Charter', after you've agreed an extension, you can switch back to your original term after six months. This means you could use this as a short-term way to pay less. Or, you could see it as a long-term measure if needed.

3. Ask about switching to interest-only mortgage repayments

If you switch to interest-only repayments, you'll pause repaying the money you've actually borrowed, typically for up to six months.

Here's what you need to know:

- How much your repayments reduce by depends on the size and length of your mortgage. The longer you've been paying off your mortgage and the smaller your remaining debt is, the bigger the reduction will be.
- After your interest-only period comes to an end your repayments will be higher.
- There's no affordability check.
- A switch to interest-only will not impact your credit file – at least for the first six months; after that it might appear on your file.

Essentially, you need to remember this is a temporary measure and you'll need to start repaying the amount you've borrowed as well as the interest.

4. Ask about a temporary payment arrangement such as a mortgage payment holiday

A mortgage payment holiday is when your lender allows you to temporarily stop or reduce your monthly mortgage repayments.

Here's what you need to know:

- You'll often need to have previously overpaid your mortgage. That means paying more than your agreed monthly payments until you've built up enough credit to take a break from payments.
- If you're struggling to meet the monthly cost due to a change of circumstance, such as redundancy or going on maternity leave, your lender might also allow you to reduce or suspend mortgage payments.
- You won't qualify for a mortgage payment holiday if you're already in arrears. But don't let that stop you contacting your lender, as they'll be keen to help you come to an arrangement. See Help if you have a missed payment.

5. Understand the pros and cons of a mortgage holiday

Taking a mortgage holiday is only suitable as a temporary measure – and only when you have enough equity in your property to prevent you falling into unmanageable levels of debt.

While a payment holiday can be a much-needed financial break and help you get back on track with other bills, you should weigh up the pros and cons.

Pros

It relieves some financial pressure for a while.

It could be a good option if you're only facing a temporary drop in income and your income is set to increase when the 'holiday' ends.

Cons

It's not suitable if you can't afford your mortgage payments because your household income has reduced permanently.

You're still racking up interest on your remaining mortgage balance.

Your outstanding mortgage balance and mortgage payments will be higher than they were before the holiday.

Even if your lender agrees to this temporary solution, your credit file will be impacted. This could affect your ability to get credit in future.

Always check if you have insurance cover

Certain types of insurance cover can help with your mortgage repayments if your income has fallen because of redundancy, accident or sickness.

You might have taken it out when you got your mortgage – look through your mortgage paperwork or check with your lender or mortgage broker.

1. Claim on any mortgage protection insurance you have

These are the main types of insurance you might have:

- Mortgage payment protection insurance (MPPI). This is an insurance policy that promises to make the mortgage repayments for you if you can't work due to accident, sickness and sometimes unemployment (normally as a result of redundancy – it's not going to pay out if you simply decide to resign without another job).
- Accident, sickness and unemployment policies. These pay out a pre-agreed amount based on your earnings, not your mortgage, for up to two years.
- Income protection insurance (IP). This pays out a pre-agreed amount based on your income in the event of accident or sickness, until you either return to work or reach retirement.
- Critical illness cover. Critical illness cover supports you financially if you're diagnosed with one of the conditions included in the policy. The tax-free, one-off payment helps pay for your treatment, mortgage, rent or changes to your home, such as wheelchair access, should you need it.
- Life insurance. Life insurance is designed to reassure you that your dependants will be financially looked after in the event of your death. You decide how it's paid out and whether it will cover specific payments – such as mortgage or rent.

Look at your finances

If you're struggling with your mortgage payments, taking a good look at your existing finances should be your priority.

This means creating a budget and seeing if it's possible to trim your outgoings.

1. Go through your budget in detail

Spending some time considering your spending habits will help you see if you can save money anywhere.

To help see where you can save cash, have a look at your outgoings in relation to what you have coming in, then divide spending into essential and non-essential items.

2. Cut back spending on non-essentials

- Budgeting is essential if you're struggling to meet outgoings. Here are just a couple of ways to cut back:
- Look at the Direct Debits that go out of your account each month – things like gym membership and magazine subscriptions. Now think about whether you're getting value for money out of all of them. If not, consider cancelling them.
- Try listing the smaller non-essential items you buy each day – such as take-away coffees or drinks after work. Put them in order of priority. Pick off the lower priority items first and consider cutting them out one at a time.

3. Cut back spending on essentials

For things like food and energy bills, try shopping around to get a better deal elsewhere.

However, think carefully before you cut back on insurance, especially life insurance.

Ask yourself whether spending a small amount on the premium is better than the risk of:

- not having a pay-out should you die, or
- paying thousands of pounds of your own money if anything were to happen to your home

4. See if you are entitled to support from benefits

If you're living on a low income whether you are in employment or not, you might be missing out on hundreds – or thousands – of pounds in help you are entitled to.

Every year it's estimated that more than one million households are missing out on more than £7bn in Universal Credit alone. If you're eligible for Universal Credit you could be eligible to apply for additional mortgage support.

5. If you claim certain benefits check if you qualify for mortgage help

- If you claim certain means-tested benefits, you might be

able to claim help with your mortgage interest payments. This is called Support for Mortgage Interest (SMI) and is offered as a repayable loan.

If you claim these benefits, check if you can get SMI help:

- income-related Employment and Support Allowance
- income based Jobseeker's Allowance
- Income Support
- Universal Credit
- Pension Credit.

See if you can get a cheaper mortgage deal

If you're not in arrears but are finding it hard to meet your repayments, it could be a good idea to shop around for a cheaper mortgage deal.

When you first took out your mortgage, you might have signed up for a really good deal. But over time, the mortgage market changes, and new deals become available. This means there might be a better deal available for you now, which could save you hundreds of pounds.

Follow these steps to work out what you need to do:

1. Switch your mortgage deal

Switching to a new deal with your existing lender or remortgaging with a new lender could potentially save you hundreds – even thousands – of pounds every year.

Most people remortgage when they get to the end of their fixed or discount rate term as this is when your mortgage might stop being a good deal. If you have six months or less until your deal expires you should start looking at new cheaper deals.

You can remortgage at any time. But if you're not at the end of your fixed or discount rate term, you might have to pay an early repayment charge.

Help if you have missed a mortgage repayment

If you miss a mortgage repayment, this is called being in 'mortgage arrears'. Missing payments will damage your credit file and eventually you could lose your home. But it's important to know there is support available to help you get back on track.

While mortgage arrears are sometimes defined as missing two or more monthly payments, it's important to take action as soon as you think you might miss a repayment.

Follow these steps to work out what you need to do:

1. Contact your lender

Your mortgage lender will be keen to help and will talk through your options.

They must make reasonable attempts to reach an agreement with you, including considering whether to change the way you make payments and when you make them.

If you fall into arrears, within 15 working days your lender must:

- tell you the total sum of your arrears
- list all the payments that you've missed or partly paid
- tell you the exact amount outstanding under your mortgage
- tell you the amount of any charges incurred because of missing any payments (and indicate any charges that may become due if the arrears aren't paid back).

Under the 'Mortgage Charter' customers won't be forced to have their homes repossessed within 12 months of their first payment.

2. Ask your lender for support

Lenders have to treat you fairly and consider any request you make to change the way you pay your mortgage. When discussing options with your lender:

- Offer to pay back what you can afford – continuing to pay back some money is better than paying nothing and will help reduce your arrears.
- Consider how and when you can return to making your full monthly payments.
- Think about when you'll be able to pay more than your usual monthly payment to bring down any arrears.

Depending on your circumstances your lender might also make suggestions for you, for example extending your mortgage term.

Don't delay – it's important to get in touch with your lender as soon as possible.

Get free advice

If you're struggling to meet repayments, there are services that offer free, confidential advice.

As well as speaking to your lender, get support from one of the many free debt advice charities and organisations.

A trained money adviser from an independent agency, like Citizens Advice or Shelter, can give you free and impartial advice.

There are other charities that can help you talk through your situation and provide information on solutions.

Follow these steps to work out what you need to do:

1. What to expect from a qualified debt adviser

If you have missed more than one repayment, it could be a good idea to speak to a trained and experienced debt adviser about your situation. They can help you see what the best decision might be.

A debt adviser can:

- give you advice on better ways of managing your money
- check to see if there are any benefits or entitlements you might be able to claim
- tell you about the ways of dealing with debts that are open to you
- get you out of debt faster
- keep everything you tell them confidential.

Government help with mortgage payments

The 'Mortgage Charter' is currently the main source of government-backed help. Launched alongside the Financial Conduct Authority, the charter enables lenders to offer flexible support if you're struggling with repayments. However, if you live in Wales or Scotland, there is additional government help available.

Follow these steps to work out what you need to do:

1. I live in Wales. What extra help can I get?

If you live in Wales and are struggling to pay your mortgage you can access help from your lender via the 'Mortgage Charter'. But if your lender can't help you, you can apply to the 'Help to Stay – Wales' scheme.

If you meet the eligibility criteria, the Help to Stay - Wales scheme offers support to homeowners in the form of a shared equity loan.

How does it work?

- A lender agrees to give you a loan alongside your existing mortgage lender in return for a share of any profits when you sell your house or repay the loan.
- The loan can help reduce existing monthly mortgage payments to an affordable level and allow you to continue to own and live in your home.
- It will also give you time to resolve your financial issues, reducing the risk of repossession.

Local authorities in Wales may also be able to help you under their mortgage rescue schemes – see [Shelter Cymru](#) to find out if you're eligible

2. I live in Scotland. What extra help can I get?

If you live in Scotland and you're at risk of having your home repossessed, the Home Owners' Support Fund may be able to help you stay in your home.

Run by the Scottish Government, it's made up of two schemes:

- Mortgage to Shared Equity
- Mortgage to Rent.

If your lender starts repossession action of your property

Your lender must treat you fairly. And they should only start court action as a last resort after considering all the alternatives to help you stay in your home and not within 12 months of your first missed payment. But if things do get to this stage, there are things you can do.

Follow these steps to work out what you need to do:

1. Contact the Housing Loss Prevention Advice Service

The Housing Loss Prevention Advice Service can help you if you live in England or Wales and are at risk of being evicted from your property due to mortgage arrears.

This means you're entitled to get free legal advice and representation in court from the moment you receive a written notice from a creditor.

A housing expert funded by the government will work with you to identify what has triggered the possession claim and recommend solutions. They might be able to give you free legal advice on:

- mortgage possession proceedings
- welfare benefits payments
- debt.

If you're unable to resolve matters and are asked to attend a court hearing, a housing adviser can also provide free legal advice and representation at the court.

If you do have to go to court, it's important you attend. Your lender will have a better chance of repossession if you don't attend. It's important you keep talking with your lender about possible repayment options.

2. Things to avoid

Get free debt advice if you're thinking of resorting to any of the options below – the chances are, there's a better solution and they'll be able to help.

Taking out an additional loan to pay your debts – these can reduce your monthly commitments, making them more affordable – but they can be very expensive over the long term and are often secured on your home.

Handing back the keys – you'll still be responsible for the mortgage repayments before your home is sold, and possibly the outstanding balance if the money raised by selling your home isn't enough to pay off what you owe.

[Sale and rent back schemes](#) – this is where you sell your home to a company and rent it back from them.

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