

Outstanding interest-only mortgages put older people at risk

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One in three over 70's with mortgages have interest-only mortgages with no linked investment and 13 per cent of older people with mortgages are struggling to make repayments on their home. These are the findings from new research led by academics at the University of Bristol's Personal Finance Research Centre and the International Longevity Centre UK (ILC-UK) – a leading think-tank on demographic change.

The research also reveals that:

- 'The mortgage debt of older households and the effect of age' highlights that while people over the age of 50 are generally less likely to have a mortgage, nearly one in ten (9 per cent) of households headed by someone in their late 60s still have

mortgages to repay as did one in fifty of the over 80s (two per cent);

- One in five of all households (21 per cent) headed by someone aged 50 or over had outstanding mortgage borrowing on their main [home](#) in 2008-10;
- Among the over 50s with outstanding mortgages, the mean average owed was £62,200. This is equivalent to £12,900 across all households headed by someone aged over 50, including those without a mortgage on the main home.

The research highlights worries over the extent to which [older people](#) may have problems paying off their mortgage with findings showing:

- Nearly a quarter of mortgaged households headed by someone over 75 (24 per cent) owed the equivalent of 25 per cent or more of the value of their home and five per cent owed more than 50 per cent;
- At least 14 per cent of older mortgaged households had taken a new mortgage on or extended their loan within the last two years.

This research also highlights an at-risk group—the oldest mortgagors. This group are more vulnerable to financial instability as they owe more relative to the value of their homes, resulting from both lower-value properties and a high use of interest-only mortgages.

Four in ten of the oldest mortgaged households (40 per cent) have at least one interest-only mortgage without a linked investment to repay the loan, compared with six per cent among the under 55s.

The FCA (Financial Conduct Authority) published its review of interest only mortgages in May 2013, highlighting that those whose mortgage is due to be repaid before 2020, will need to take control of their mortgage repayment planning now. The FCA confirmed that they would work

with the Council of Mortgage Lenders (CML) and the Building Societies Association (BSA) to ensure lenders contact their borrowers in order to prompt them into checking their plan for repayment is on track and considering the options available to them.

Andrea Finney of the PFRC at the University of Bristol, who carried out the analysis of the research, said: "Home ownership is common among the over 50s, but these new findings highlight a core of households whose mortgages have persisted into older age. It is surprising to see such high loan-to-value ratios among mortgaged households headed by someone in their late 60s for example. Other assets only go part way to explaining this, raising important questions about the financial security of these [households](#)' as they approach later life."

David Sinclair, Assistant Director of Policy and Communications at the ILC-UK, added: "Whilst [mortgage](#) debt declines with age, this research reveals that owing money on your home is not the preserve of the young. We are seeing a worrying picture emerge of older people with unlinked interest only mortgages. As the FCA and industry communicates with people with unlinked interest only mortgages, it should evaluate whether any specific targeting of information and advice is necessary for older people with unlinked mortgages."

The research has been funded by the Economic and Social Research Council as part of the Secondary Data Analysis Initiative.

More information: [www.ilcuk.org.uk/index.php/pub ...
nd_the_effect_of_age](http://www.ilcuk.org.uk/index.php/pub...and_the_effect_of_age)

Provided by University of Bristol

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