



# Debt Management Plan

## DEBT



### Background

The level of UK debt has been steadily increasing in recent years with the average amount of unsecured debt per household rising to a record high - £15,385 - according to research by the Trades Union Congress<sup>1</sup>.

Many people experiencing problems paying back their debts seek to enter into a Debt Management Plan (DMP) as a way of getting their finances under control. A DMP is a non-legally binding agreement between a customer and their creditors to repay their debts at a rate they can afford. It can only be used for non-priority debts, and so might be suitable for credit or store cards, overdrafts and personal loans. The customer makes regular payments to a licensed debt management company which then shares the money out between the creditors.

The challenge many advisors face is identifying if their customers are in a DMP as they are often historic or taken out under previous names. Before applying for a mortgage, an advisor will often request a report to provide confirmation/insight about their customer's credit profile. However, DMP providers don't register the DMP on a customer's profile, only the creditors within the DMP are able to do so. As a result, unless the creditors have registered the customer's debt as part of a DMP, it is not unusual for there to show multiple or zero DMPs on a customer's credit profile.

Despite DMPs not being considered a form of insolvency and there being no formal proceedings, many customers with satisfied or active DMPs can still experience difficulties in getting the mortgage or loan they need.

### What opportunities are there?

Many brokers assume because a customer is on a DMP they will not be able to access the mortgage they want, but this is not necessarily the case. Although many high street lenders will turn away customers with DMPs, specialist lenders such as Precise Mortgages could help.

As the UK's leading specialist lender<sup>2</sup>, we don't believe a credit blip in the past should stop your customer from getting the mortgage they want now, especially if they've taken measures to get their finances in order. We assess every application we receive on a case-by-case basis, taking each customer's individual circumstances into careful consideration.

## DMP



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## ? How can Precise Mortgages help?

Our Residential Mortgages range features products specifically designed for customers with DMPs. Customers can also apply for a Residential Second Charge Loan and we'll consider first and second charge applications from customers with active and satisfied DMPs. Here are just a few reasons why our DMP products could be ideal:

- ▶ DMPs can remain active post-completion
- ▶ Mortgages available up to 85% LTV
- ▶ DMPs satisfied prior to application do not need to have been running for a minimum period
- ▶ Additional adverse added since a DMP has been entered into can be considered
- ▶ When a DMP will remain after completion, affordability is based on the reduced DMP payment

Active cases must have been active for a minimum of 12 months. The DMP doesn't need to be repaid on completion, but must be included as a monthly commitment on application, albeit at the agreed reduced monthly commitment amount.



For Precise Mortgages to consider lending to a customer with an active DMP, we'll need to see evidence that repayments have been made in line with the agreed plan and will require either:

- An annual statement from the DMP provider listing the creditors within the DMP, amounts outstanding and the monthly payments made and due, plus proof of payment since the date of the statement.

OR

- A reference from the DMP provider confirming the date of agreement; amounts outstanding; details of all creditors, including lender, account number, payment and balance; and confirmation that the last 12 months' payments have been paid on time when due.

For DMPs satisfied less than 36 months ago, we require confirmation from the debt management company of the date the DMP was satisfied and that it was repaid in full.

Sources: <sup>1</sup><https://www.tuc.org.uk/news/unsecured-debt-hits-new-peak-%C2%A315400-household-%E2%80%93-new-tuc-analysis>  
<sup>2</sup>BVA BDRC Project Mercury Report Q4 2018



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