

One in Five Mortgage holders may be leaving their families open to thousands of Euro of legacy debt

Almost 155,000 (one-in-five) homeowners are now struggling to repay their home loan each month and the majority of these are potentially under insured on their Mortgage Protection. This is according to analysis of the latest Central Bank figures by Caledonian Life, who today said that of the 63,000 homeowners who are in arrears for three months, many could be unaware of the serious implications for them and their family if the primary earner was to pass away.

According to Joe Charles, Marketing Manager at Caledonian Life, *"The value of the average amount of arrears has been calculated by the Central Bank at €27,000, with these borrowers typically having €200,000 each outstanding on their mortgages. In the event of the mortgage holder dying, if the partner or family were unable to fund the outstanding €27,000, the bank could ultimately repossess the house"*.

Caledonian Life say it's understandable people are falling into arrears at the moment considering the financial pressure they are under. However, the Protection experts are concerned that people may not be aware or have simply forgotten that when this happens, their Mortgage Protection Life cover needs to be reviewed.

Caledonian Life say the issue for borrowers lies in how Mortgage Protection policies are structured. When most people buy a property, the lending institution will require them to put Life cover in place to cover the outstanding mortgage, should they die. The amount on an outstanding mortgage reduces as repayments are made. A Mortgage Protection policy is designed so that the amount of cover selected in turn, reduces in line with (or slightly behind) the amount of capital outstanding on the mortgage. When a person falls into arrears, the capital sum on their mortgage ceases to decrease, but the cover on their Mortgage Protection policy continues to do so. Caledonian Life is warning that for those in Mortgage arrears their Mortgage Protection policies may now provide insufficient cover.

Joe went on to say, *"Some people who are in arrears may not be aware or have simply forgotten that when they they fall into these arrears, their Mortgage Protection Life cover may no longer be sufficient and may need to be changed to a level term policy. A level term policy is for a set amount of cover and unlike regular Mortgage Protection cover, doesn't decrease when capital payments on your mortgage have been suspended. With sufficient Level Term cover in place, the mortgage will be cleared should you die. It's not a thought anyone likes to dwell on, but one that we need to be aware of to ensure our loved ones are financially protected. Of course, before considering any course of action, you should consult with an appropriately qualified professional, like your local Broker."*

Caledonian Life contend that as this country struggles to deal with the huge mortgage debt problem issues such as Mortgage Protection will need to be addressed by consumers.

"Almost 70,000 people have had to do deals with their lenders to lower their monthly repayments on their mortgage. Almost all of these will involve a reduction or cessation of capital repayments resulting in the cover on the Mortgage Protection falling faster than the mortgage creating an uninsured gap. Your local Broker will be more than happy to give you professional and impartial advice as to what actions an individual should consider if faced with this unfortunate predicament" said Joe in conclusion.

Note to the Editor:

Caledonian Life

Dedicated to providing market leading Protection products and offering excellent service to our Brokers and their clients, Caledonian Life has offices in Dublin, Cork and Limerick. Our products are only available from authorised Brokers, who offer impartial financial advice to help you meet your needs. Caledonian Life is a division of the Royal London Group.

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