



Ministry of  
**JUSTICE**

# **Mortgage Lending**

Comparison of published data  
sources on mortgage possessions  
and mortgage arrears

Ministry of Justice  
Technical note

Published: January 2009

## Contents

Introduction	2
Regional coverage	2
Loan coverage	3
Possession coverage	4
Arrears coverage	5
Seasonal adjustment	6
Timing of release	6
Summary comparison	7

## Introduction

There are currently three key producers of information on mortgage possessions in the UK, namely:

- Council of Mortgage Lenders (**CML**)
- Ministry of Justice (**MoJ**)
- Financial Services Authority (**FSA**)

Each of these organisations publishes quarterly aggregate figures. No single set of figures is wholly representative of the entire number of mortgage arrears and possessions cases, and each relates to a different reporting population. This can potentially result in both confusion and misinterpretation. This note seeks to address this by setting out and explaining the differences between the data sources.

## Regional coverage

Both **CML** and **FSA** figures cover the entire UK, but have no regional desegregation.

**MoJ** figures relate to England and Wales only, but are published in disaggregated form for HM Courts Service regions and areas, and for individual county courts.

## Loan coverage

**CML** figures cover all 1<sup>st</sup> charge mortgages from CML members only (membership covers around 98% of residential mortgage balances outstanding). Loans specifically excluded are 2<sup>nd</sup> charge mortgages (also called secured personal loans), commercial and bridging loans. However buy-to-let (BTL) loans are included. CML also reports on BTL separately. Where a mortgage has multiple loan accounts (for example where part of a mortgage is on a capital-plus-interest basis, and another part interest-only) these are amalgamated so that only one mortgage is reported.

**MoJ** reporting is on the basis of county court possession actions rather than loans. These cover claims issued (the start of the county court process to obtain a possession order) and orders made. The latter heading encompasses both outright orders entitling the claimant to apply for a warrant to have the debtor evicted, and suspended orders where the claimant is granted possession but the operation of the order is suspended and cannot be enforced if the debtor complies with the terms of suspension. MoJ figures cover all types of possession actions, whether 1<sup>st</sup> charge or 2<sup>nd</sup> charge lending, or other types of credit including commercial loans.

Because of the time lags involved, many of the court claims issued and orders made will occur in earlier periods than the actual repossessions, where these ultimately occur. To this extent the MoJ figures are a 'leading indicator' of wider subsequent possession activity.

**FSA** reporting covers all residential mortgage loans made to individuals held by regulated lenders. This means that each firm authorised by the FSA for lending or administering regulated mortgage contracts reports on its entire residential mortgage book, covering not just regulated 1<sup>st</sup> charge but also all of its 2<sup>nd</sup> charge i.e. buy-to-let and other unregulated mortgages. However lenders that are not regulated and only carry out unregulated mortgage activities (2<sup>nd</sup> charge, buy-to-let etc) are not included in the reporting.

A difference between FSA and CML is that FSA reports on the total number of distinct loan accounts, whereas CML amalgamates loan accounts that relate to the same 1<sup>st</sup> charge mortgage on a property. This means the FSA reported total number of loan accounts will be higher than the CML's number of mortgaged property.

## Possession coverage

**CML** figures cover all properties taken into possession by CML members relating to 1<sup>st</sup> charge mortgages. Any possessions relating to 2<sup>nd</sup> charge mortgages are not reported. Figures cover all routes for possession – whether possession is obtained through a court order or the borrower surrenders possession voluntarily. CML also reports separately on BTL mortgages where a Receiver of Rent has been newly appointed (in the BTL sector, receivers are often used as an alternative to possession and may have the power to effect a sale of the property, just as a lender taking possession would). In isolated cases a mortgage with a RoR in place may also be taken into possession. However the numbers of such cases are not material.

**MoJ** figures count all court possession actions in England and Wales, regardless of the nature of the loan (1<sup>st</sup> charge, 2<sup>nd</sup> charge or other). However, they do not count actual repossessions of homes, since not all possession orders are executed, and it is possible for a debtor to avoid repossession even after a possession order is awarded against them. MoJ figures are therefore widely accepted as being an over-estimate of the actual number of homes repossessed, and are described as such. It should also be noted that the MoJ figures exclude voluntary possessions (including abandonments) and other cases where the lender has obtained possession without recourse to the courts.

**FSA** figures cover those mortgage accounts where a mortgaged property on a lender's books is in possession, regardless of whether the mortgage the lender holds on the property is 1<sup>st</sup> charge, 2<sup>nd</sup> charge or both. In cases where there are both 1<sup>st</sup> and subsequent charge(s) on the property (normally where the subsequent charges are held by other lenders), some possessions may be reported more than once. Like CML, FSA figures cover both court-ordered and voluntary possessions. However, because FSA figures on possessions cover both 1<sup>st</sup> and 2<sup>nd</sup> charge possessions and report on the total number of loan accounts in possession, they will exceed the CML's figures which cover 1<sup>st</sup> charge

## Arrears coverage

**CML** arrears figures are presented in 2 different ways: firstly arrears cases are classified by the number of months of mortgage payment that arrears represent. Arrears are also classified according to the percentage of the balance outstanding that each arrears case represents. CML reporting excludes cases where arrears represent 3 or fewer contractual monthly payments, or less than 2.5% of balance outstanding. As with figures on loans, arrears on multiple 1<sup>st</sup> charge loan accounts on the same property will be reported together as one arrears case.

When a BTL loan falls into arrears the lender has the power to appoint a Receiver of Rent (RoR), who takes rent directly from tenants and pays it directly to the lender. Arrears cases where there is a RoR in place are not included in overall industry CML arrears figures, but are explicitly and separately identified in BTL reporting.

**MoJ** figures do not measure mortgage arrears.

**FSA** arrears figures are presented in the same way as the CML's second classification (i.e. grouped according to the percentage balance outstanding that the arrears represent). However an important distinction is that the FSA includes all arrears cases where arrears represent 1.5% or more of the balance outstanding. CML reporting covers all cases where arrears represent 2.5% or more of balance outstanding. So FSA figures will always exceed CML's on this basis, given that they include cases that are in arrears by a lower relative percentage than is monitored by CML. They will also exceed CML's because they cover both 1<sup>st</sup> and 2<sup>nd</sup> charge loans, whilst CML's include 1<sup>st</sup> charge loans only.

## Seasonal adjustment

**MoJ** provides figures at England and Wales level on a seasonally adjusted basis as well as on a non-seasonally adjusted basis. The seasonally adjusted figures give a better and more meaningful picture of short-term, quarter-to-quarter changes (removing from the quarterly figures seasonal or other calendar influences such as court closures on public holidays). They also allow more straightforward comparison with other official short-term economic indicators, which are typically released in both seasonally-adjusted and non-seasonally-adjusted form.

Neither the **CML** or the **FSA** produce seasonally-adjusted measures at present. However, the unadjusted figures (released by all three producer organisations) provide the most accurate direct count of the actual number of cases in a given period.

## Timing of release

**CML** and **MoJ** quarterly releases are synchronised and both occur at 9:30am on a pre-announced release date. At present, this is normally set in the second half of the second month after the end of the quarter to which the statistics relate.

The **FSA** quarterly releases operate to a different timetable, which is yet to fully stabilise as the releases themselves are a new development. The most recent set of FSA statistics covered Q2 2008 and were released at the end of October 2008, a time-lag of just under four months. The FSA plans to gradually publish statistics on a more timely basis in future and have stated their intention to publish subsequent releases within approximately three months of the end of the reference quarter.

## Summary comparison

Summary comparison of published data sources on mortgage possessions and mortgage arrears

		Coverage summary		
		CML	MoJ	FSA
<b>Geography</b>	UK	Yes	No	Yes
	England & Wales	No	Yes	No
	Regional and local data	No	Yes	No
<b>Loan coverage</b>	1 <sup>st</sup> charge (exc. BTL)	Yes	Yes	Yes
	BTL	Yes	Yes	Yes (a)
	2 <sup>nd</sup> charge	No	Yes	Yes (a)
	Other	No	Yes	No
<b>Possessions coverage</b>	Court- ordered possessions	Yes	Yes	Yes
	Voluntary possessions	Yes	No	Yes
<b>Arrears data</b>	By number of months	Yes (b)	No	No
	By percent of balance	Yes (c)	No	Yes (d)
<b>Seasonally adjusted data</b>		No	Yes	No
<b>Publication time lag</b>		1.5 - 2 months	1.5 - 2 months	3 - 4 months

- a – FSA regulated firms only
- b – Over three months in arrears
- c – 2.5% of balance or more
- d – 1.5% of balance or more

