



Department for  
**Communities**  
[www.communities-ni.gov.uk](http://www.communities-ni.gov.uk)

An Roinn  
**Pobal**

Department fur  
**Commonities**

**Private Office**  
**Level 9**  
**Causeway Exchange**  
**1-7 Bedford Street**  
**Belfast**  
**BT2 7EG**  
e-mail: [Assembly.section@communities-ni.gov.uk](mailto:Assembly.section@communities-ni.gov.uk)  
Telephone: (028) 9051 5234 (DD 75234)

Dr Janice Thompson  
Communities Committee Clerk  
Room 430  
Parliament Buildings  
Ballymiscaw  
Stormont  
Belfast  
BT4 3XX

12 November 2021

GM-1492-2021

Dear Janice

### **Support for Mortgage Interest (Security for Loans) Bill**

Thank you for your letter dated 4 November following the Ministerial briefing on the Support for Mortgage Interest (Security for Loans) Bill.

The Committee has asked if a bank can enforce a quick sale through an auction and if a house doesn't meet its full value in the auction, how the Support for Mortgage (SMI) Loan amount is settled.

Repossession of the property by the mortgage lender is a 'Default event' for the purposes of the SMI Loan Agreement and as such, brings the agreement to an end and requires repayment of the loan to the Department. While the Department has no direct relationship with the lender and has no power to influence its decision on recovery of its mortgage monies, lenders are regulated by the Financial Conduct Authority (FCA) in terms of how they deal with mortgage contracts and repossession cases.

Where a property is sold at an undervalue, there may be insufficient equity available to repay the loan. Repayment is limited to the amount of available equity after any prior ranking mortgages have been repaid (Regulation 16(4) of the Loans for Mortgage Interest Regulations (NI) 2017). In such cases some or all of the loan will be written off depending on how much equity is available.

It is worth noting that since SMI loans were first introduced in April 2018, out of 1,645 loans paid out to date there have been 4 repossession cases, 3 of which were written off due to insufficient equity and one was successfully recovered.

Securing a SMI loan by way of statutory charge provides a mechanism to secure recovery of the SMI loan where there is available equity to recover. The Bill does not change the general position on repossessions.

I hope this is helpful to the Members.

Yours sincerely

A handwritten signature in black ink, appearing to read "Diane Mulligan", written in a cursive style.

**Diane Mulligan**

Departmental Assembly Liaison Officer

Private Office