What people think, feel and do

Interest-only Mortgages Research

Prepared for the

Financial Conduct Authority

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Table of Contents

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Executive Summary

This report presents the findings of research commissioned by the FCA to explore the interest-only mortgage market. It looks at the ability of interest-only borrowers to repay the capital at the end of their mortgage term.

The Report provides insight into:

- why borrowers took out an interest-only mortgage
- the advice and information they understood they were given at the time
- the types of repayment strategies they have in place and how these have changed over time
- estimates of their ability to repay their mortgage at the end of the term and their levels of confidence
- how likely they are to be able to fully repay their mortgage at the end of its term

> An interest-only mortgage is a mortgage where a borrower only repays interest on the amount borrowed (capital) each month and agrees to repay the original amount borrowed at the end of the mortgage term. With a part interest-only and part-repayment mortgage a borrower pays off some of the capital over the mortgage term but will still have a lump sum to pay off at the end.

The research was designed to help the FCA understand the shape of the current interest-only market, and how it has changed since previous research was completed in 2012. The FCA also wanted to understand the impact of Covid-19 and the current economic environment on consumers' ability to repay their mortgage. The findings in this report are based on the results from quantitative and qualitative research as well as utilising data modelling techniques to predict potential levels of shortfall across the market (balance sheet modelling).

Approach

To provide the FCA with a robust and representative picture of the ability and confidence of borrowers to pay off the remaining capital at the end of their mortgage term, detailed and comprehensive research was carried out.

The approach consisted of three phases:

Phase 1 quantitative research, a 10-minute online survey among 1000 of those who hold interest-only mortgages on their main home. This phase also collected financial information from participants to be used in the statistical modelling. Of the 1000 questionnaires that were sent out, 987 were in a usable form to enable them to be included in this report.

Phase 2 statistical modelling that involved calculating whether participants' intended repayment plans would be sufficient to pay off the capital when their interest-only mortgage came to an end. Specifically, the model predicts the amount of capital available at the end of the mortgage term and assesses the accuracy and reliability of participants' repayment strategies. The model also determines whether there is likely to be a shortfall at the end of the term and how much this is likely to be.

Phase 3 qualitative research, consisting of 20 in-depth interviews with interest-only mortgage holders. This focussed on the details of proposed repayment vehicles, explored participants' confidence around repaying the capital at the end of the mortgage term and investigated comprehension of their interest-only mortgages and communications with lenders.

The report brings together the findings from all three phases of the research. Further details on the approach can be found in the methodology section in Appendix 1.

What we found

Our main findings are listed here, and they are explained in more detail in the report that follows.

Choosing an interest-only mortgage

Around a third of interest-only mortgage holders chose an interest-only mortgage, or a part and part mortgage, following advice from an advisor or broker

- 31% of participants said the reason they took out an interest-only mortgage was based on the advice from a financial advisor or a broker.

Those who have switched onto an interest-only mortgage were most likely to have done so for lower monthly payments

- 32% of participants said they switched to an interest-only mortgage at a later date due to the lower monthly payments.

Fourteen percent of interest-only mortgage holders report not knowing that they needed a repayment plan, that was separate to interest payments, when they took out the mortgage

- It was encouraging to see that 78% of participants were aware that they needed a repayment plan which would repay the capital at the end of the term and that this was separate to interest payments, when they took out the mortgage.

Repayment strategies

One-in-ten interest-only mortgage holders were not able to share an intended repayment strategy

- 7% of participants said they did not know how they would pay the mortgage off with 3% saying they could not afford to.

There is heavy reliance from interest-only mortgage holders on inheritance to provide the largest proportion of funds to enable them to repay their capital at the end of their mortgage term

- Across the qualitative interviews, some of those who hadn't made plans to repay their mortgage nor been able to build up personal savings, had received, or knew that they were going to receive, a substantial sum from inheritance.

Checking in on the plan

The majority of interest-only mortgage holders say they check their plans for paying off their mortgage at least once a year. Almost one-in-ten do not do this at all

- 72% of participants say that they check in on their plans at least once a year or more.
- 9% never check they are on track.

Only a quarter of participants recalled their mortgage provider being in touch about their mortgage and plans for repaying the capital in the last year

Interest-only mortgage holders are highly confident that they can pay off their mortgage at the end of their mortgage term

- 82% reported being either 'very' or 'fairly' confident.

But high levels of confidence reported may be overly optimistic. Whilst confidence is high, more than a quarter suggest that they may have a shortfall at the end of their mortgage term

- 36% said they may have a shortfall when completing the quantitative survey.
- The balance sheet modelling, however, indicated that this figure was actually 46%.

Where a shortfall is expected, on average, interest-only mortgage holders believed this would be around £35,000

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Plans to deal with a shortfall varied, with some suggestions being more credible than others

The results from the qualitative research hint at different borrower attitudes to interest-only that may help explain the results from the quantitative research. We found there are two broad groups of borrowers – short-term thinkers and long-term thinkers. Shorter-term thinkers, those who tend to live in the moment and not look too far into the future for their financial needs, valued the flexibility that interest-only mortgages provided.

"I'm comfortable with the overpayments that I'm making and have made for the last 2 years – if I was struggling, I could pull that back… I have a 'relaxed' plan… but I'm not worried." **HP, 51 | Mortgage matures in 2025 | Current mortgage balance of £100,001 - £150,000**

On the other hand, longer-term thinkers, those who take a more pragmatic approach to their finances and think about their finances across a longer period, tended to be more strategic in their decision to take an interest-only mortgage.

"I appreciated that whilst I got more skilled in my field and I progressed, my salary should increase so at some point my plan was to go into a repayment mortgage or save up my capital to pay into my mortgage at some point." **EN, 29 | Mortgage matures in 2055 | Current mortgage balance of more than £250,000**

When will the mortgages mature?

Within our sample, we found that there were a wide range of maturity dates for the mortgages with some due to mature very shortly whereas others still have many years until maturity. The breakdown of when these mortgages will mature is:

- Within the next 5 years – 28%
- Within the next 5 – 10 years – 25%
- Within the next 10 – 15 years – 10%
- Within the next 15 – 20 years – 9%
- More than 20 years – 19%

Eight percent did not know when their mortgage was going to mature and 1% opted to not say.

Next Steps

In summary, the research provides a detailed insight into the interest-only mortgage market as well as the ability of interest-only borrowers to repay the capital at the end of their mortgage term. It tells us that borrower confidence in their ability to repay their interest-only mortgage is high, but that this confidence may be misplaced. We have given this report to the FCA for them to consider the findings.

Introduction

Prior to 2008, a large number of those wishing to purchase a property with a mortgage took out interest-only mortgages. At the time, this form of borrowing was commonly used by lenders and borrowers as a means of stretching affordability. Monthly payments are typically lower than for a capital and interest mortgage (also known as a repayment mortgage) as it is only the interest that is paid off, with the capital outstanding repaid at the end of the term. Subsequently, there have been concerns that many borrowers had no, or unrealistic, plans as to how they would repay the capital at the end of their mortgage term. This means there is significant risk to consumers that they could be left with a significant shortfall.

Previous research on interest-only mortgage holders was carried out on behalf of the FCA in 2012/13. The key purpose was to better understand the market and, more specifically, the ability of interest-only borrowers to repay the capital at the end of their mortgage term.

The research found that whilst many claimed to have a repayment strategy in place, statistical modelling highlighted that almost half would be likely to have a shortfall and not be able to fully repay their loan at the end of the mortgage term.

Following these findings, and subsequent significant work by the FCA, there has been a considerable reduction in the number of interest-only mortgages in the UK. One contributing factor for this is that a large proportion of interest-only mortgages that were held at that time have matured, reducing the market substantially.

At the end of June 2022, there were just over 1 million interest-only mortgages, which is 12% of all mortgages. This figure includes 774,000 purely interest-only mortgages, and 240,000 mortgages which are part interest-only and part capital repayment. The number of interest-only mortgages has halved since June 2015, when there were just over 2 million.[1]

However, there are still a large number of people with interest-only mortgages yet to mature. These borrowers may have credible repayment strategies that are on track to enable them to repay. Equally, they may lack the means to be able to repay their loan and instead could be at risk of ending up with a significant repayment shortfall at the end of their mortgage term. When considering the ability to repay it is also important to consider the shift we have seen in the economic environment over the last few years, the impact of Covid-19 and most recently, rises in the cost of living.

Within this context, the FCA wanted to understand the shape of the remaining interest-only market. It wanted to explore the impact of Covid-19 and the current economic environment,

[1] FCA Mortgage Product Sales Data Performance Data ('PSD007') H1 2022

on the ability and confidence of borrowers' ability to pay off the remaining capital at the end of their mortgage term. It also wanted to provide a clear understanding of the current population of interest-only mortgage holders and the different subgroups within it.

Whilst many of the objectives were the same, this programme of research aims to complement, rather than replicate, the research conducted in 2012. The data is not directly comparable due to changes in approach and survey materials, so any references or comparisons made with the previous findings should be taken as indicative.

Opinium was commissioned to provide the FCA with insights on:

- The proportion and number of interest-only mortgage holders who were aware of the need for a repayment strategy, and the consequences if they do not have one.
- The proportion and number of interest-only mortgage holders without an adequate repayment strategy.
- The types of repayment strategies in place among those who do have one and how these have changed over time.
- Interest-only mortgage holders' own estimates of their ability to repay the mortgage at the end of the term.
- The predicted proportion of interest-only mortgage holders who will suffer a shortfall based on statistical modelling.

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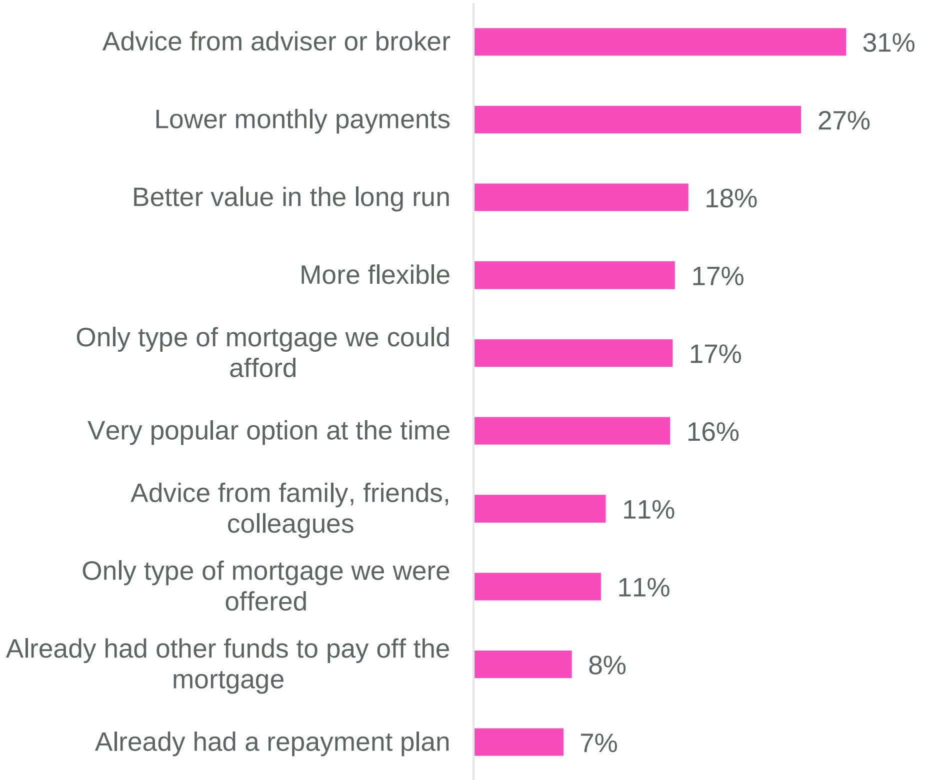
Choosing an interest-only mortgage

Around a third of interest-only mortgage holders chose an interest-only mortgage, or a part and part mortgage, following advice from an advisor or broker

More than two-thirds of interest-only mortgage holders have always had an interest-only mortgage, or an interest-only element to their mortgage. This is in comparison to just under a fifth (18%) who switched to interest-only from a full repayment mortgage and a further 12% who added an interest-only element to their mortgage.

Among those with an interest-only, or part and part, mortgage, the two most dominant reasons for this choice were advice from a financial advisor or mortgage broker (this was listed as one option in the questionnaire) (31%) or for lower monthly payments (27%). Other reasons mentioned for choosing an interest-only mortgage were that: it offered better value in the long run (18%), was a more flexible choice (17%) and it was the only mortgage they could afford (17%).



In the main, those who took their mortgage out more recently were more likely to have sought advice from a financial advisor or mortgage broker than those who took their mortgage out pre-2015 (37% of those who took out their mortgage between 2015-2022 compared to 25% of those who took out their mortgage between 1995-2014). Those interest-only mortgage holders who took their mortgage out pre-2000 were more likely to have chosen an interest-only option as it was a very popular, or the best option, at that time (32% compared to 15% of those who have taken their mortgage out since 2000).

Qualitative discussions provided richer context around the nuances in peoples' decisions to take out an interest-only mortgage. Those who were in a relatively stable financial position, who had chosen an interest-only mortgage from the start, tended to do so for two reasons depending on their short-term or long-term strategy.

Shorter-term thinkers, those who tend to live in the moment and not look too far into the future for their financial needs, valued the flexibility that interest-only mortgages provided. When buying the property, interest-only mortgages made the property more affordable for the foreseeable future and the lower repayment amounts meant that homeowners had more capital to support their lifestyle. Whilst some in this group intended to hold the interest-only mortgage for a short period of time, because they planned to relocate within the next year or so, others planned to hold their interest-only mortgage for the long term.

Some of these short-term thinkers, who have held their interest-only mortgage longer term, seemed to have lost sight of the fact that they had only been paying off the interest and not the capital over the years. In hindsight, they questioned their choice about taking out an interest-only mortgage. For some who took out their interest-only mortgage pre-2000, interest-only mortgages felt like the thing to do.

On the other hand, longer-term thinkers, those who take a more pragmatic approach to their finances and think about their finances across a longer period, tended to be more strategic in their decision to take an interest-only mortgage. This group intended to hold their interest-only mortgage for a short period and not see the mortgage through to maturation. For these borrowers, the lower repayment amounts meant that they had more capital to reinvest, in renovating the property for resale for example. They were very conscious of the fact that they weren't paying down the capital but believed that the profit that they would likely make on the property outstripped the risk, making interest-only mortgages better value in the long run.

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Case study

Shorter term thinker

JS, 62, Homemaker

JS’s mortgage matures in 2029. She has more than £250,000 remaining on her mortgage.

About JS

- JS lives with her husband in London.
- Her adult children no longer live in the family home.
- JS is a homemaker and doesn’t work.
- Her husband owns his own recruitment company and earns a good, but variable, income.

Reasons for taking out an interest-only mortgage

When they purchased their home, it was a financial stretch. Their advisor recommended an interest-only mortgage at the time, given the couples’ financial situation.

JS can’t remember having had contact from her mortgage advisor in years.

“He hasn't checked in for years. No, we haven't spoken to him for absolute years. No, not at all, never hear from him.”

Approach to finances / repayment

JS and her husband tend to live in the moment and have little inclination to save. When JS had a pension pay out, she suggested that they pay a lump sum off the mortgage. However, in the end she and her husband made the choice to redecorate the spare bedroom.

At the time JS understood the concept of the interest-only mortgage, but it is only as they near the end of their mortgage term that she realises the reality of their choices, having not made a plan to pay down the mortgage over the years.

“In hindsight, I think I wouldn't have gone for an interest-only mortgage, but as I said, at the time, I wouldn't have spoken up strong enough to fight it... I don't think the average man on the street would be very keen on having an interest-only mortgage. I don't want to come across as condescending, but you've got to understand the money and the figures, and if your property has got the potential to cover it if you had to sell it, and not everybody's property will. I think I would've preferred it if it [the mortgage] were being paid off, for the security.”

Despite having a relaxed approach to repayment, JS feels confident that they will find a solution. She has life insurance in place for the next year (due to expire next year), and they

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could sell the property (which has increased in value over the years) if they needed to. She doesn't feel a strong emotional attachment to the house.

However, selling the property would impact how much money they would have for retirement as neither JS nor her husband have a separate private pension.

Case study

Longer term thinker

EN, 29, Junior doctor

EN's mortgage matures in 2055. She has more than £250,000 remaining on her mortgage.

About EN

- EN is in a serious relationship but owns her home independently.
- EN is planning on getting married next year.

Reasons for taking out an interest-only mortgage

A mortgage advisor advised EN to take an interest-only mortgage given her current salary relative to her future earning potential, working on the assumption that the property would become increasingly affordable as her wage increased.

EN never planned on staying in the property for more than 5 years and took out an interest-only mortgage as it allowed her to get her foot on the property ladder.

"The interest-only option was the best option at the time…it was mainly down to the repayments monthly. It was only a 2-year mortgage deal…it meant I had the most money in my pocket at the end of the month and the plan was never to really stay on it forever, it was just whilst I had a smaller income."

Approach to finances / repayment

EN is confident that with her financial trajectory that she'll be able to make overpayment on the mortgage in the short term. This will increase her equity in the property when she comes to sell.

When EN ties the knot, she will sell up and co-buy with her partner.

"I appreciated that whilst I got more skilled in my field and I progressed, my salary should increase so at some point my plan was to go into a repayment mortgage or save up my capital to pay into my mortgage at some point."

Those who have switched onto an interest-only mortgage were most likely to have done so for lower monthly payments

Among those who switched on to an interest-only mortgage or took out an interest-only element at a later stage, the primary driver was for the lower monthly payments (32%). A quarter (24%) wanted more flexibility and a fifth (21%) switched on advice from a financial advisor or mortgage broker.

Those who were motivated to switch for the lower monthly costs are more likely to be concerned about the impact of the cost-of-living crisis and to be older than 55. Just under half (46%) of those motivated to switch for this reason are older than 55, compared with 31% of 18–34-year-olds and 27% of 35–54-year-olds.

Qualitative interviews with those who switched to an interest-only mortgage revealed that for many, an interest-only mortgage was their only choice. Most of those who switched to an interest-only mortgage had experienced a life event that had impacted them financially. Some had experienced a health issue that led to a loss of income. Others had experienced a reduction in income from career decisions they had made, a lack of work (especially in light of Covid-19) or a relationship breakdown. A few took on unforeseen debt when over-leveraged investments took a turn for the worse and they found themselves unable to bridge the gap with their savings and investments. The qualitative interviews also highlighted a minority who, most recently, had switched to an interest-only mortgage as the increased cost of living had made it difficult to make ends meet. The lower monthly mortgage payments offered a reprieve from high outgoings, at least in the short term.

"I'm actually, really worried [about our finances]. Both myself and my husband, we haven't received any sort of inflationary pay-rise…it's a really difficult situation…we moved to an interest-only mortgage last year, not even a year actually, it's probably been about 8 months ago because we were struggling to meet the repayments. The repayments actually in the greater scheme of things weren't that high, but we were finding that we had no money left at the end of the month, we were always using our overdraft and we were ending up using our credit cards to just do basic things like go for a shop, you know, to do the family [food] shop [so] we decided to move to an interest-only mortgage. We were lucky because rates were really low, so we got an interest-only mortgage at 1.14%. It is really low… thinking about the situation economically at the moment, with interest rates potentially going up, you know where it's going after this? That's the problem." **SS | Mortgage matures in 2047 | Current mortgage balance of more than £250,000**

Peoples' prospects varied significantly across this group. Those who had a lot of equity in their home (and savings to fall back on) felt confident that they would be able to weather the storm; downsizing and relocating to a less affluent part of the country would allow them to secure a home (possibly even mortgage free). Others felt very much stuck in their situation and couldn't see a plan for repaying their interest-only mortgage when it came to the end of the term, nor could they devise a credible plan for downsizing or relocating.

Case study

Shorter term thinker

GO, 48, Not in work

GO' mortgage matures in 2032. She has £150,000 - £200,000 remaining on her mortgage.

About GO

- GO was unable to work following a back injury. She has been out of work for 9 years.
- She has struggled to come to terms with not working and hopes to gain employment in the future, but that's not an option for her currently.

Reasons for taking out an interest-only mortgage

When GO was unable to work due to her back condition, she switched to an interest-only mortgage. She discussed her options with a broker and at the time, the repayments on the interest-only mortgage were all she could afford.

Approach to finances / repayment

Not being in work makes it difficult to make ends meet. She has exhausted all her savings and relies on her partner to pay the bills.

GO struggles to make the mortgage repayments and finds her financial situation very stressful. She worries that she will eventually lose the house.

"It's very, very tough these days. Once you're out of a job, you know, it's very difficult for you to come to terms with it… Sometimes you are down, sometimes you wonder why [but] when there's life, there's hope, and that's one thing about me, so my main focus is to get well, then just get something going, and then see what I can do with my finances."

Downsizing could be an option for her, however, it's not something she has fully investigated. She does have a strong emotional connection to her home; losing her house would feel like the years of paying into the property have been 'wasted'.

"It will leave us no choice and then we will probably end up giving it [the property] up. It will be very sad, I mean, for all these efforts, all these years we've been paying in and then we just let it go. Nothing for your future."

Case study

Shorter term thinker

SS, 42, Teacher

SS's mortgage matures in 2047. She has more than £250,000 remaining on her mortgage.

About SS

- SS is married and has 3 children, aged between 10 and 15.
- SS works full time as a teacher in the private sector. Her husband also works full time in IT.
- SS and her husband purchased their home in 2014 on a repayment mortgage and switched to an interest-only mortgage a couple of years ago.

Reasons for taking out an interest-only mortgage

A few years ago, SS and her husband began to struggle with the daily cost of living and they found it difficult to make the payments on their repayment mortgage.

Their financial advisor advised them to switch to an interest-only mortgage with a fixed rate of just over 1% for 2 years.

The plan had been for the short-term, however, the family's financial situation hasn't improved and with interest rates rising next year, SS is very worried that they won't even be able to afford their interest-only mortgage.

Approach to finances / repayment

SS and her husband don't have a strategy for paying down their interest-only mortgage. The interest-only mortgage was a short-term plan, designed to make their home affordable in the short term.

SS thinks that eventually her and her husband will need to sell the family home.

Case study

Longer term thinker

JB, 62, Contractor

JB's mortgage matures in 2025. He has £200,000 - £250,000 remaining on his mortgage.

About JB

- JB lives in London and has owned his property since the 90's.
- JB had a career in banking before changing career and working as a self-employed consultant in the finance sector.
- He has struggled to find consistent work since the 2008 financial crisis.

Reasons for taking out an interest-only mortgage

When JB's income became inconsistent, he switched from a repayment mortgage to an interest-only mortgage.

He had managed to accumulate a lot of equity in the property so an interest-only mortgage provided a cost effective way to lower his monthly outgoings.

Approach to finances / repayment

JB was born and raised in another part of the country. JB plans to sell up and move back to his hometown where he still has a strong network of family and friends.

The equity in his London property would allow him to comfortably pay off the capital and purchase a house. He will also have some inheritance that he can fall back on.

"I had always thought that I would end up selling the house that I have now, anyway, and sort of downsizing. I'm lucky enough to have bought a house in a part of the country that's seen the highest increase in house prices of anywhere. So that turned out to be a very good thing to have done. I've got quite a lot of equity in my house and so yes, I'd always thought that probably that that's what I would end up doing anyway. I'm going to stand to inherit a couple of hundred thousand pounds at some point, as well. So, all in all, I'm going to be okay, I think."

First tier banks are the dominant interest-only lenders

Within our sample, we found that the majority of interest-only mortgage holders have their current interest-only mortgage with one of the larger banking institutions.

Fourteen percent of interest-only mortgage holders report not knowing that they needed a repayment plan, that was separate to interest payments, when they took out the mortgage

The quantitative survey found that more than three-quarters (78%) of all interest-only mortgage holders said they knew that they needed a repayment plan which would repay the capital at the end of the term and that this was separate to interest payments, when they took out the mortgage. However, just under a sixth (14%) stated that they did not know this and just under one in ten (9%) weren't sure. So, just over 1 in 5 (23%), were at the very least unclear as to the need for a repayment plan. Those who took out their interest-only mortgage following advice from friends, family or colleagues were significantly less likely to know this key piece of information (27% compared to 14% of all interest-only mortgage holders).

Four-fifths (80%) also stated they were aware, when they took out the mortgage, that the repayments were only paying off the interest and not paying off the amount borrowed. 13% reported not knowing this important fact with 7% not able to state whether they were or weren't aware.

Throughout the qualitative conversations, it became apparent that knowing that the interest-only mortgage only pays off the interest on the mortgage and knowing that there was a need to put a repayment plan into practice to pay off the capital are not universally aligned. Whilst people understood that they needed to repay the capital, among short-term thinkers there was a lack of urgency around putting a strategy in place.

"It's a bit of a mañana type of thing. It's tomorrow, tomorrow. Oh, yes, good intentions, I'll do this tomorrow, you know." **GB, 51 | Mortgage matures in 2026 | Current mortgage balance of £50,001 - £100,000**

A number of shorter-term thinkers felt that they were in the situation where they did know what they had signed up for in principle, but they did not know what that would mean for them in practice. Having not made a plan to pay down the capital on their mortgage, some felt caught out by not having the full amount they needed to pay off the balance on their property. A few who have only ever paid the interest (and not made overpayments) felt like they, in hindsight, had made a poor-value choice, as had they had a repayment mortgage, they would have paid off a significant sum of the capital.

"I do vaguely remember them talking that, you know, 'Will you have a way of paying it off at the end?' I do vaguely. Not as a specific plan on how we were going to pay it off, I do remember them vaguely talking about that, yes." **DZ, 56 | Mortgage matures in 2026 | Current mortgage balance of £100,001 - £150,000**

"Honestly speaking, no, I didn't think about that [repayment]…then life goes on. As I'm talking to you, I'm stuck, and the interest rate is going higher and higher. You ask yourself, 'When will you finish paying the full mortgage?' It's difficult, yes, very difficult." **GO, 48 | Mortgage matures in 2032 | Current mortgage balance of £150,001 - £200,000**

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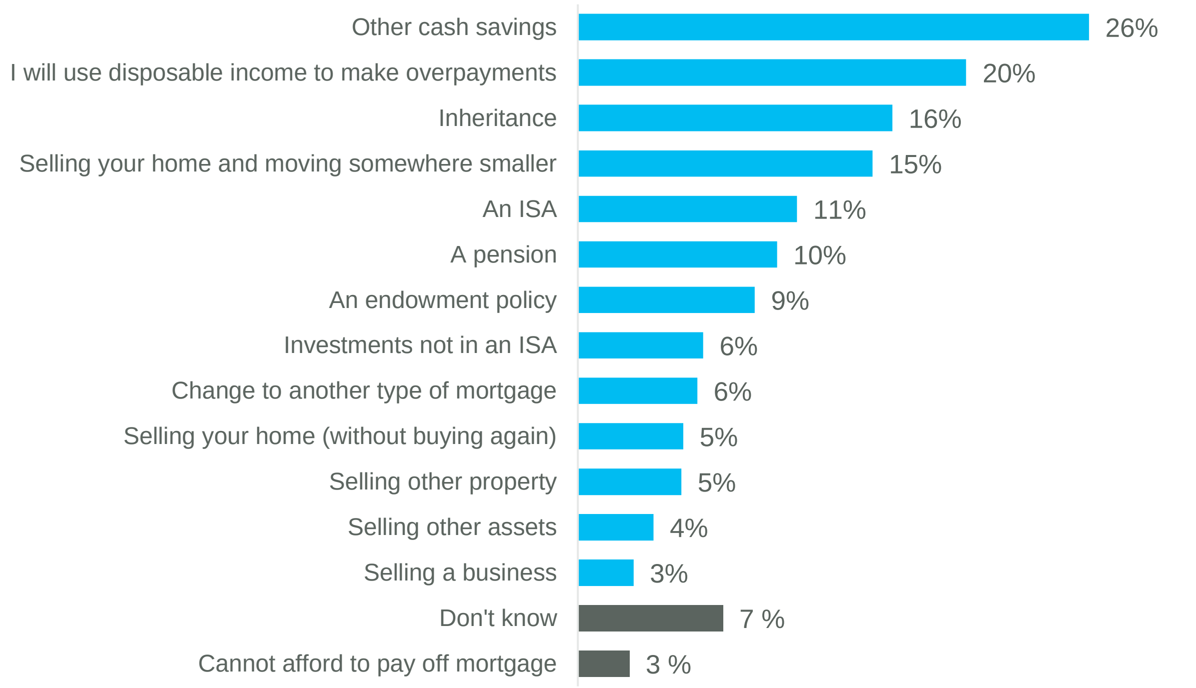
Repayment strategies

One-in-ten were not able to share an intended repayment strategy

In the quantitative research, all interest-only mortgage holders were asked about their plans for repaying their mortgage at the end of the mortgage term. One-in-ten were unable to state firm plans and either reported that they did not know (7%) or that they couldn't afford to pay the mortgage off (3%).

However, the majority of interest-only mortgage holders were able to share the repayment vehicles that they intended to use to repay their mortgage. A fifth (20%) intended to use disposable income to make overpayments, while an even larger number (26%) stated they would use other cash savings. Of the others, 16% are relying on inheritance and 15% intend to sell their home (the home they currently live in) and move somewhere smaller.



Those who plan to use other cash savings are significantly more likely to be confident that they are on track to pay their mortgage off (28% compared to 19% who are not). They are also significantly less likely to be very concerned about the cost-of-living (only 19% very concerned compared to 36% who are not concerned at all).

Inheritance is much more likely to be a strategy among those who have a longer term left on their mortgage (25% of those who are paying their mortgage off in 2053 or beyond compared to 12% of those who are due to be paying their mortgage off in the next five years).

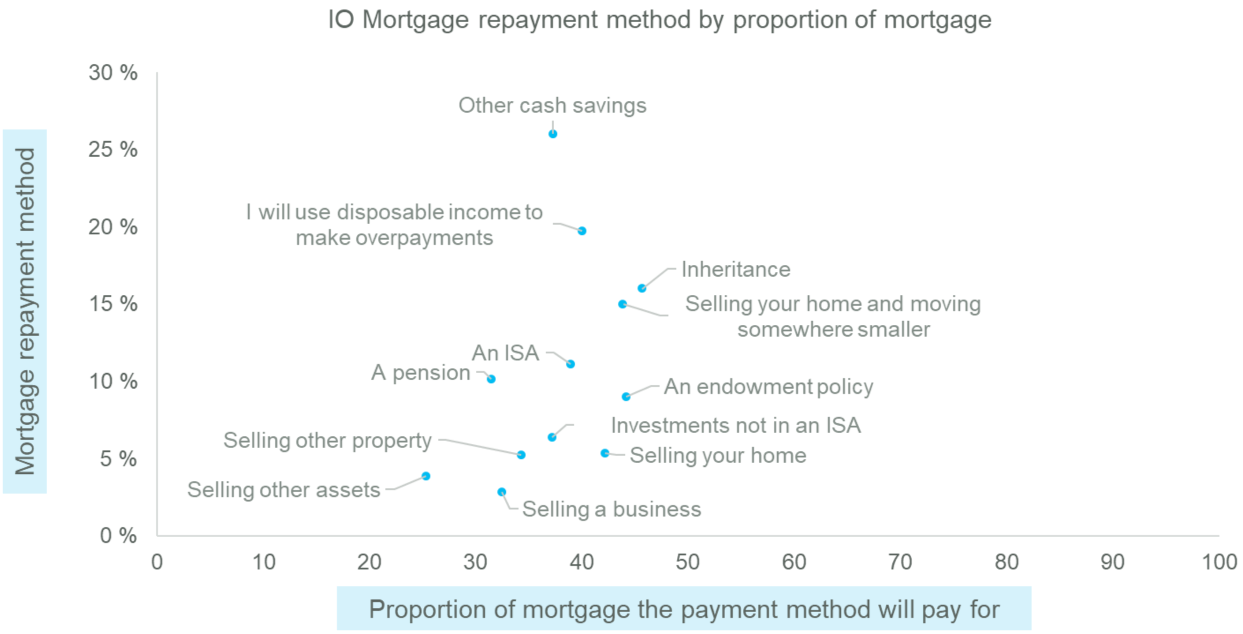
Across the qualitative interviews it emerged that peoples' repayment strategies fell along a continuum. At one end, homeowners had a well thought through plan. These homeowners were in the minority and tended to be longer-term thinkers, who had taken out an interest-only mortgage on their property for a strategic reason. These homeowners didn't have a strong emotional connection to the property and had considered how they would repay the capital from the start.

At the other end of the continuum, some homeowners had no plan to repay the capital at the end of their mortgage. This group tended to be comprised of those who had taken out an interest-only mortgage because it was the only way they could afford their property. Most of this group have low financial resilience and are struggling to make ends meet.

Between these poles, most interest-only mortgage holders could be identified as having a part formulated plan. This group thought about pooling money from a number of different sources, but the calculations were often lofty and not formulated on robust figures. Short-term thinkers especially have been in denial about needing to pay off their capital and only seriously started considering their options when the end of the mortgage was fast approaching. The qualitative interviews also illustrated that plans, when not robust, can be quickly thwarted. When individuals lack financial resilience, life events can knock those who had a well-intended plan into financial difficulty. Relationship breakdown is the biggest risk factor for pushing those with a plan into being 'trapped' into their interest-only mortgage. The loss of dual income can make repayments unaffordable and make plans to repay the capital too ambitious on a single income.

Ill health can also impact repayment plans. One couple who had planned to use an ISA (which was invested inheritance) to pay off their capital at the end of the term had their plans cut short when one of them was diagnosed with terminal cancer. Neither were in full-time work and lived on a moderate income from their pensions, volunteering and benefits. The couple had not made enough on their investment to pay off the mortgage capital and did not have life insurance to cover the mortgage. Needing both their incomes to make the interest-only repayments, this couple needed support with their next steps. They hoped that, with paying off a lump sum at the point when the surviving spouse received a pension pay out from the deceased, they would be able to re-mortgage the house. In the worst-case scenario, the surviving spouse would sell the home but hoped that it didn't come to that as it would mean moving away from their local support network.

Whilst cash savings and disposable income are popular repayment methods, the majority of the mortgage is likely to be paid off by inheritance, endowment policies and selling their home.



Across the interviews many described chipping away at their capital with disposable income and savings. People liked the sense of progress that paying off a lump sum gave them; it made them feel like they were paying down their mortgage without having rigid parameters imposed on them. However, it was also clear that this behaviour lacked consistency and many don't even start paying down their capital with savings or disposable income until they are part-way through their mortgage term.

For some, paying lump sums off their mortgage provided a false sense of security. When people believe that they are making steady progress, they can lack urgency around prioritising the repayment. The overall value of the mortgage is incomprehensible for some and when the lump sums are not of sufficient value, homeowners are at risk of falling short at the end of their mortgage term.

This repayment vehicle is vulnerable to circumstance. People stated that 'overpaying' their mortgage was the first thing to be deprioritised when money was tight. Disposable income is redirected to increased outgoings and/or moved into savings; some said that, especially in the current economic climate, they would rather have the psychological safety of having savings to fall back on.

"When I say I've got £2500 in that bank account, Jo, my wife, will say, 'Don't you think you ought to pay off a bit of the mortgage?' Now sometimes I'll say, 'No, wait while it gets to £3000.' Then if it gets to £3000, that's when I'm going to make a decision." **DH, 64 | Mortgage matures in 2028 | Current mortgage balance of £100,001 - £150,000**

There is heavy reliance from interest-only mortgage holders on inheritance to provide the largest proportion of funds to enable them to repay their capital at the end of their mortgage term.

Whether inheritance was a pre-planned vehicle for repaying the interest-only mortgage is up for debate. Across the qualitative interviews, some of those who hadn't made plans to repay their mortgage nor been able to build up personal savings, had received, or knew that they were going to receive, a substantial sum from inheritance. This group had thought about diverting the inheritance towards paying off the mortgage because inheritance offered a way out of having to sell the property. Even among this group, sometimes plans for paying off the capital with inheritance were not fully formulated, rather inheritance offered one possible, viable solution.

A few others discussed receiving an inheritance pay out early since their parent wouldn't see them without their home.

"I was lucky enough, well not lucky, my mum, unfortunately, passed away a couple of years ago and left some inheritance money, so that's sitting in the bank and I could use as well [to pay off the capital]. I've got a son, he's not on the property market. Ideally, we'd like to help him on his way as well. It's balancing, obviously, we have to pay off the mortgage, or I suppose we could downsize, that's the other option. But we've taken a fixed mortgage now so we can't do that for another 2 or 3 years. It would cost us a lot to come out of it so it's a little bit restricted, but that is another option as well. I suppose we could downsize and then pay it off." **DZ, 56 | Mortgage matures in 2026 | Current mortgage balance of £100,001 - £150,000**

Many are also relying on selling their home and moving somewhere smaller. The qualitative interviews revealed a number of participants who were comfortable with the idea of moving to lower cost areas. A minority had always planned to pay off the capital by reselling their home; many more stated the ability to sell their property as a final option.

There was an assumption that the equity in the property would enable them to repay the capital and move elsewhere. However, the interviews called into the question the validity of some peoples' plans.

Empty nesters living in large family homes felt happy to downsize into something more manageable. Those who have been living in affluent areas (namely London) for long enough to benefit from the property market growth were confident that they'll be able to sell up, pay off the capital and still be able to afford a good property in a less expensive area.

However, some who plan to sell their property will have to make sacrifices elsewhere. Using the equity to repay the capital means that there is less money available for other purposes. One person, married to a self-employed business owner, described how they had planned to live off the profit made on the property in retirement.

"Our house is worth quite a bit. Our mortgage isn't huge, so we would have a lot of equity if we chose to sell the property. I would say the benefits of being in London, house prices are

good depending on what happens in the near future. But, at the moment, our house is sort of like our pension, if that makes sense. So, that's how we see it." **JS, 62 | Mortgage matures in 2047 | Current mortgage balance of more than £250,000**

Others, although able to pay off the capital at the end of their mortgage term by reselling the property, will find it difficult to move elsewhere. Those who lived in smaller properties in less affluent areas would struggle to buy somewhere else given the relative value of other properties on the market. People involved in complicated relationship break ups and debt are especially financially vulnerable. In addition, not all felt comfortable moving away from the area they lived in; most have a localised support network of family and friends which they would lose if they moved elsewhere.

"I don't know where [I will move to] because when the mortgage is paid off, then I've got 60%, he [my ex-husband] has got 40% … I've now found out that he [my ex-husband] has all these debts…I think it was an estate agent who said to me, if he's got debts from when we were married, I'm half liable for his debts, and there's just no way out of this… I will get some [money out of the house], but where can I live with that money?" **AM, 54 | Mortgage matures in 2037 | Current mortgage balance of £100,001 - £150,000**

Some of those earlier in their mortgage term were working on the belief that their home will increase in value. Whilst confident in the plan, it's not something that they have done much research on.

"I have a kind of sketch. I'm relying on the property prices to go up... The area I'm in, I can sit here confidently and tell you that I can probably sell this flat and clear the mortgage and have cash leftover. I was aware there would be a lump sum to pay off… but I never really gave it much thought as I'm confident in the overall property values going up. And I do have a pension and a few quid in the savings pot." **RA, 47 | Mortgage matures in 2035 | Current mortgage balance of £100,001 - £150,000**

A proportion of the homeowners we spoke to in the interviews didn't really think that it would come to them having to sell the property; they thought that they would be able to re-mortgage and extend their interest-only mortgage.

Checking in on the plan

Within our sample, we found that the majority of interest-only mortgage holders say they check their plans for paying off their mortgage at least once a year, however, almost one-in-ten do not do this at all

Almost three-quarters (72%) of interest-only mortgage holders say that they check in on plans at least once a year or more to make sure they are on track to pay off their mortgage. Just under one-in-ten (9%) *never* check they are on track. Unsurprisingly, this is higher among those who weren't aware at the outset that they needed a repayment plan (16%) compared to those who were (8%).

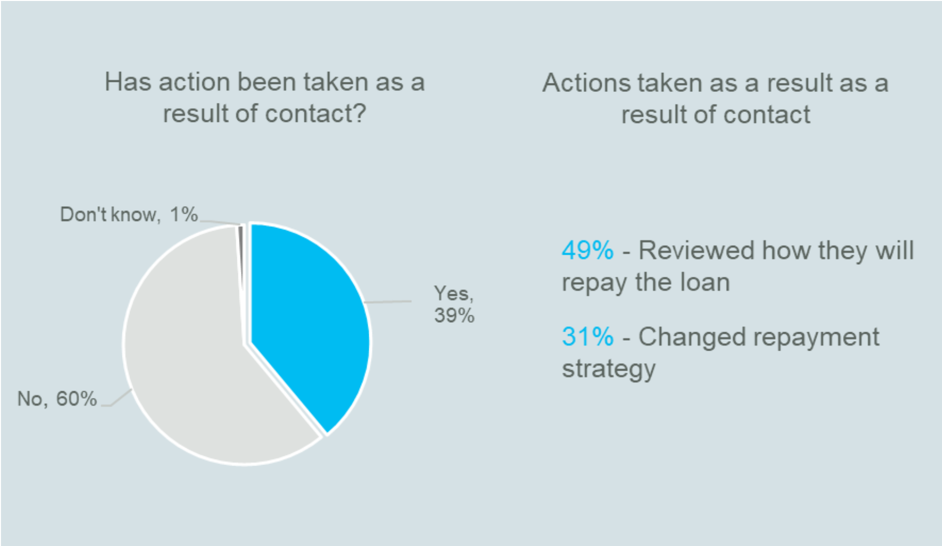
Those who never check in on plans (9%) are also more likely than the total sample to be reliant on ***selling their home and not buying another property*** (17%) and are far less likely to intend to use ***other cash savings and disposable income to make overpayments*** (both 5%). It is also the case that those whose pre-tax household income is less than £19,999 are more likely than those who earn in excess of £50,000, to never check how on track they are to pay off their mortgage (20% compared to only 6% in those in the higher income bracket).

The research also found that those who check on plans at least once a year are far more likely to be confident that they will pay off their mortgage at the end of the term in comparison to those who aren't. Those who check in on plans less often than once a year or never, have far lower levels of confidence that they will pay off their mortgage.

Only a quarter recalled their mortgage provider being in touch about their mortgage and plans for replaying the capital in the last year

Those with a mortgage balance of more than £500,000 were more likely than those with smaller balances to recall having been contacted by their mortgage provider in the last year to check in on repayment plans (62% compared to only a quarter (24%) among all interest-only mortgage holders). Those whose mortgage is due to be paid off in the next five years (by 2027) were also more likely than those with longer remaining terms to recall having been contacted. Two-fifths (39%) of those whose mortgage is due to be paid off between 2022 and 2027 report receiving communication from their mortgage provider however, 58% said their provider had not been in touch. This leaves almost three-fifths of interest-only mortgage holders approaching the end of their mortgage term reporting that they had had limited contact from their provider.

Among the quarter who had received contact, two-fifths (39%) stated that they had taken some form of action as a result.



The qualitative interviews uncovered mixed levels of engagement with communications from lenders. Longer-term thinkers with a well thought through plan acknowledged that they had received communications from the lender, although they often felt neutral about having received the communication. They understood the need for the lender to check in on their repayment plan, but they didn't take much action as they were confident in their repayment vehicle (e.g. paying off the capital with the resale of the house, or with inheritance).

Those with a part formulated plan also reported having varying levels of engagement with lender communications. Some stated that they had not received any communications from the lender, others had received a letter, but that letter had not been 'top of mind' and was only recalled after being prompted during the interview. Some within this group didn't engage with lender communications because they felt like they have the repayment under control, others knew that their plans lack substance and didn't engage with communications because they were burying their head in the sand and hoping a best-case solution would present itself when the time was right.

However, some of those nearing the end of their term did act after having received the communication and reviewed their repayment strategy. They understood that they needed a workable plan and that time was no longer on their side.

"I think this was something [a repayment plan] we did at the time. I was trying to look through all our paperwork, we had it somewhere. We did do that. I think we were going to revisit that fairly soon. To be honest, doing this now has made me speak to my partner about it, and what we are going to do and what we talked about doing before we took out the mortgage. It has prompted us to do things to get it organised in a way that we hadn't." **RC | Mortgage matures in 2040 | Current mortgage balance of £50,001 - £100,000**

Those who are financially vulnerable and have no plan in place to repay their mortgage don't have the emotional bandwidth to engage with lender communications. People in this situation

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described feeling stressed and avoided communications as a coping mechanism. This strategy, however, is a barrier to people receiving help when they need it most. One participant had received a letter about fixing her variable rate to a fixed rate mortgage given the steep rises in interest, however, she was yet to respond. Different ways of communicating may be needed to engage customers in this position and enable lenders to provide the proactive support to ensure these customers don't fall through the cracks.

Confidence in their ability to pay off their interest-only mortgage at the end of their mortgage term is high among interest-only mortgage holders

As was seen in the previous research conducted in 2012, confidence in the ability to pay off their interest-only mortgage at the end of their mortgage term is high among interest-only mortgage holders. More than four-fifths (82%) are either 'very' (39%) or 'fairly' (42%) confident that they are on track (note it's 82% overall due to rounding). Fewer than an eighth (12%) are either 'not very' (9%) or 'not at all' (4%) confident.

Those with the highest levels of confidence have smaller mortgage balances - 47% among those whose current balance is less than £100,000 compared to only 17% of those whose mortgage balance is £500,000 or more. Positively, confidence levels are also higher among those who are due to pay off the balance of their mortgage in the next 5 years, potentially offering some reassurance that those with the most pressing need are better prepared.

It is also the case that confidence is higher among those who already had other funds or sources of money as a way of paying off the mortgage when they took the product out (65% very confident compared to 39% of interest-only mortgage holders overall). Conversely those who took out an interest-only mortgage because it was the only type of mortgage they could afford, are significantly less likely to feel confident about their ability to pay off their capital than interest-only mortgage holders overall (31% compared to 39% overall).

High levels of confidence reported may be overly optimistic

Across the qualitative interviews it emerged that being confident in a repayment plan does not necessarily mean that people have the funds to repay the capital when their interest-only mortgage comes to the end of its term.

When people stated that they are confident in their repayment plan, it meant a number of different things. To some people, being confident meant that they had options; many conceptualised about pulling money from different sources and/or selling their home to repay the capital but had done little concrete planning.

"We've got different options. We may sell the house, downsize and pay the mortgage off... there was the option of taking out money out on my partner's pension… We had several conversations with the lender about how to repay it and setting up a plan." **RC, 46 | Mortgage matures in 2040 | Current mortgage balance of £50,001 - £100,000**

To other people, being confident meant that they had 'blind faith' and that they were confident *things would turn out OK in the end.*

"Well, obviously, it's quite blasé. We had to take out life insurance, which if 1 of us passes, it would pay off the mortgage. I think it runs out next year...But no, we haven't thought about anything, really. Maybe it's just blind faith, but we seem to have managed so far." **JS, 62 | Mortgage matures in 2047 | Current mortgage balance of more than £250,000**

To a smaller group of people, being confident meant that they could lean on family for financial support.

"I have discussions with my parents [about the mortgage] and they say 'Oh don't worry about it'… they are financially sound… it is very much a case of I'll be looked after." **HP, 51 | Mortgage matures in 2025 | Current mortgage balance of £100,001 - £150,000**

"My brother has said life happens. He earns really good money and he said to me if I get to that point not to worry. That he will-, I mean it's by word of mouth at the moment. He hasn't given me any, sort of, legal documents or anything but he said to me I don't want you to be stressing about your mortgage. If you get to the point where you can't pay it back and it's due and you can't remortgage, he said what he will do is he will invest in my house and own a share of my house so that when I either die or sell it he gets that share back." **GB, 51 | Mortgage matures in 2026 | Current mortgage balance of £50,001 - £100,000**

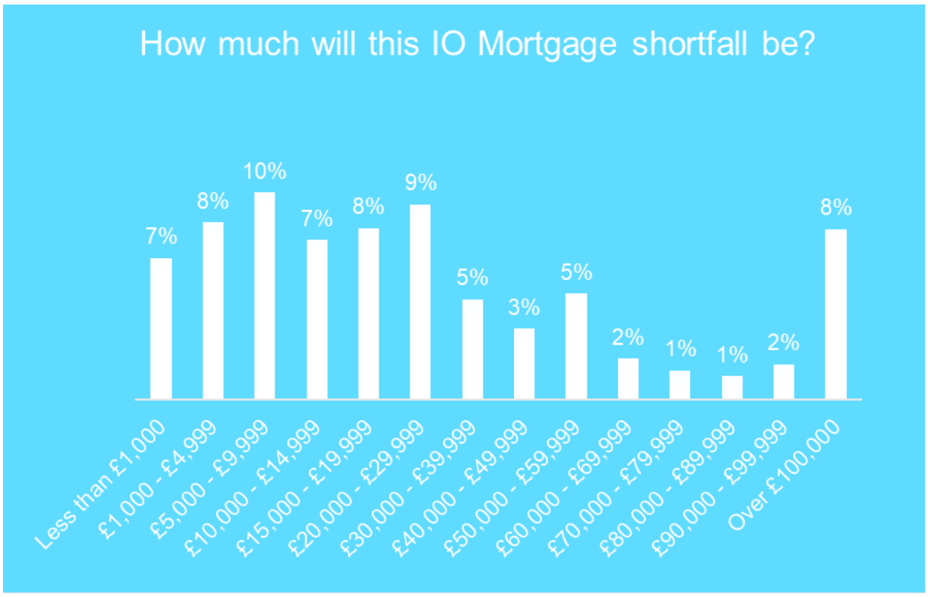
Whilst confidence is high, more than a quarter suggest that they may have a shortfall at the end of their mortgage term

When questioned about the likelihood of having a shortfall at the end of their mortgage term, just under one-in-ten (8%) said that they ***would*** have a shortfall, 28% reported that a shortfall was a ***possibility***, but just over half (53%) said they ***would not*** have a problem with having sufficient funds. A further 10% didn't know.

In line with confidence, those who claim they will not have a shortfall are more likely to have less than £100,000 balance left on their mortgage (59% compared to 53% of all interest-only mortgage holders). They are also less likely to be concerned about the impact of the cost of living, more likely to be older, in the higher income bracket or retired.

Where a shortfall is expected, on average, interest-only mortgage holders believed this would be around £35,000

Those who thought they would have a shortfall were asked how much they expected this to be. The average expected shortfall was reported as being £35,216.



The balance sheet modelling conducted in phase 2 of this research allows us to better understand whether these predictions of shortfalls are accurate and to what extent any shortfalls may in fact be greater or less than expected. This is explored in detail in the following chapter where claimed potential shortfalls are compared to predictions generated from the modelling.

The remainder of this chapter focuses on participants options for dealing with their ***claimed*** shortfalls, rather than the outcome of the modelling.

Plans to deal with a shortfall varied, with some suggestions being more credible than others

Several possible solutions were offered by participants as ways to deal with any anticipated shortfall. A third (32%) believed they would solve this issue by extending their mortgage, a quarter would cut back on spending and just under a quarter (22%) would downsize/sell their property.

Cutting back on spending is more likely to be the preferred option among those who are younger (33% of those aged 18-34 compared to 9% of those aged 55+) whilst those who are older are more likely to solve a shortfall by extending their mortgage.

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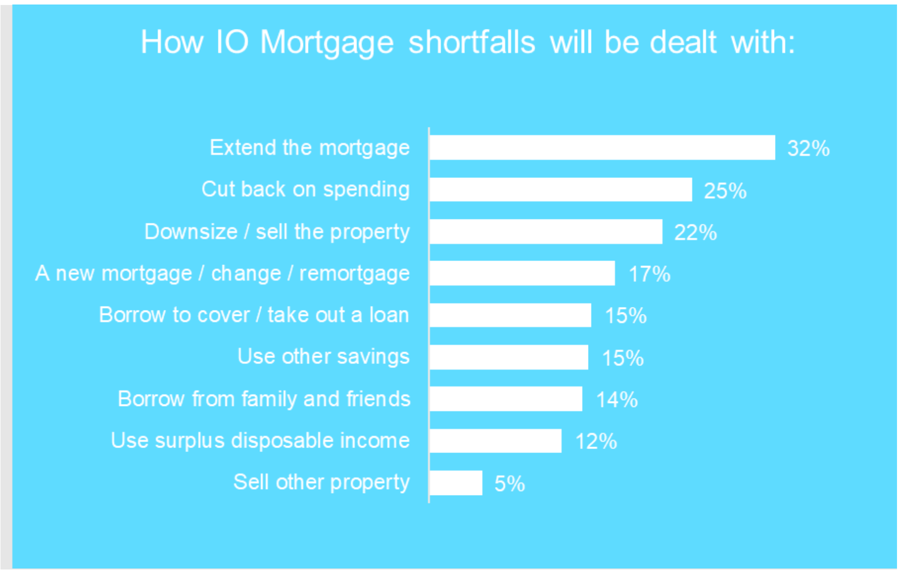

While nearly two-fifths believed they may have a shortfall, the vast majority of them, just over four-fifths (83%) stated that they had not sought any help or advice to manage this potential problem. Just 15% reported that they had sought help.

Overall, it can be noted that confidence in ability to pay off the mortgage at the end of the term is based on an optimistic attitude rather than, in many instances, a robust and well thought through strategy.

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Balance sheet modelling

Overview of approach

Part of the analysis conducted on the quantitative data included utilising data modelling techniques to predict potential levels of shortfall across the market (balance sheet modelling). The balance sheet modelling was undertaken to highlight the difference between borrowers perceived ability to repay their mortgage and a calculation or prediction using financial information collected during the interview. This information was combined with assumed economic factors to anticipate the percentage of borrowers who will have a shortfall at the end of their mortgage term and what this shortfall might be.

During the survey, interest-only mortgage holders were asked to identify which mortgage repayment vehicles they intended to use to pay off the remainder of their mortgage (Q12). These repayment options were ISAs, other savings, investments, pensions, endowments, over-payments using disposable income, house sales, other property sales, business sales and inheritance. Using this information, overall modelling assumptions and certain relevant macroeconomic assumptions, calculations were made to predict the value of each repayment vehicle at the time the mortgage is due to be repaid.

As some of these repayment vehicles are taxable, this was taken into account in the model. In the cases where mortgage holders were planning on selling property, potential property growth rate was also accounted for. Once the total financial assets intended to be used to pay off the mortgage had been calculated, this was taken away from the reported mortgage balance to establish if there would be a shortfall at the end of the mortgage term.

Within the quantitative survey data there are several factors which have to be assumed for accuracy and consistency. Where interest-only mortgage holders intended to use the following repayment vehicles: ***ISA, other savings, investments, and over-payments*** and were planning to increase or decrease the amount these contributed to their mortgage repayment plan, the model assumes that this proportion changes for the next year and then stays at that level thereafter until the end of the term.

Another assumption was that those using ***ISA, savings and/or investments*** to pay off the capital would not withdraw any of this capital before the mortgage was due. Capital gains and income taxes were assumed to have the same rate and do not have any tiered structure in the modelling. Finally, it was assumed that there would be no transaction costs for those planning to sell homes or businesses to pay off the interest-only mortgage.

As the calculations included a number of assumptions made at the time of the analysis (October/November 2022), three different scenarios (each with ranging economic factors) were run to account for fluctuation in economic conditions: Low Case, Central Case and High Case as shown below:

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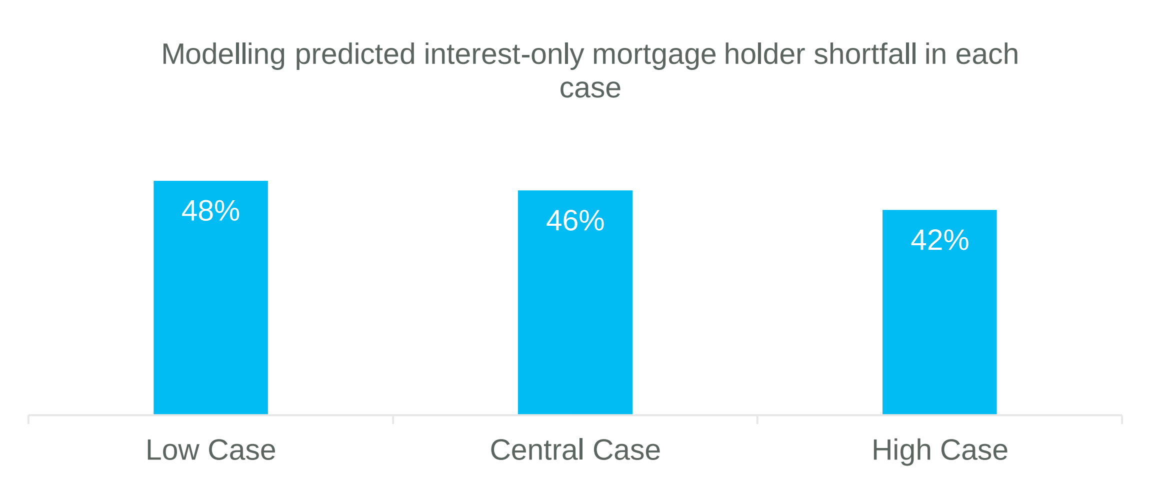
	Low Case	Central Case	High Case
Cash interest rate	0%	3%	6%
Equity return rate	0%	4%	8%
Inflation rate	1%	3%	5%
Property growth rate	-3%	1%	5%
Tax rate	0%	30%	30%

For each case, a different set of economic factors were applied to account for different predicted scenarios based on more or less favourable economic conditions. By combining the quantitative survey data and these assumptions, the modelling presents a prediction of the likely shortfall under each scenario, which can then be used to assess the extent to which borrowers are over or under confident in their ability to repay their interest-only mortgage at the end of their term.

The population of interest-only mortgages have maturity dates stretching into the 2030s and beyond. It is not possible to predict with any accuracy or certainly the likely path of economic factors over these timeframes. We have therefore used wide ranges to test how these factors might affect mortgage shortfall. The assumptions used have been set wide to test how they affect shortfalls. Current economic conditions and short-term forecasts of the factors were taken into account when setting these over the period of mortgage maturities.

Confidence vs Reality

At an overall level the modelling identified a difference in the shortfall of interest-only mortgage holders between the Low, Central and High Case scenarios:



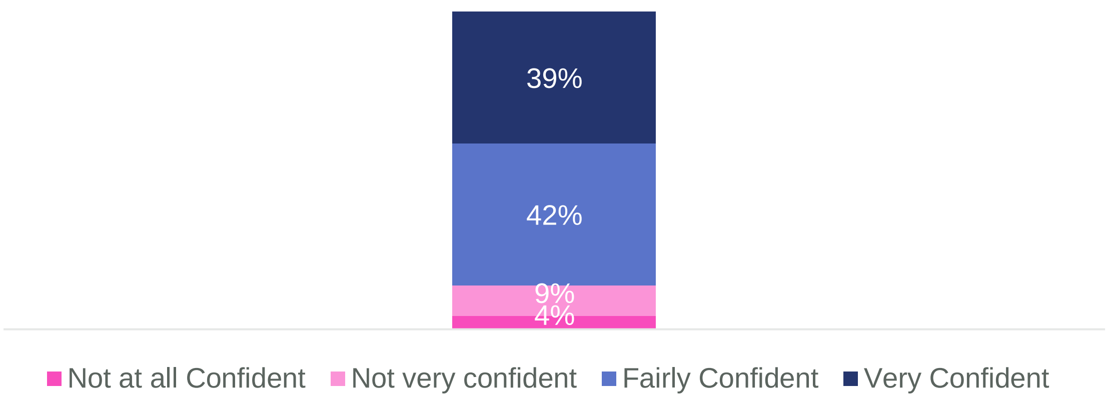
The scenarios were purposefully wide to test whether a mortgage holder will plausibly be able to pay across more or less favourable conditions. The results detailed in this report focus on the Central Case scenario.

Assuming the Central Case scenario, the modelling shows that 46% of current interest-only mortgage holders may have a shortfall at the end of their term

This represents a large proportion of the market who could be unable to pay back the loan when their mortgage comes to an end and is far higher than interest-only mortgage holders' own perception of their likelihood of having a shortfall.

Over four-in-five (82%) interest-only mortgage holders stated they are confident (very or fairly) that they'll be able to pay off their mortgage at the end of the term:

Confidence among interest-only mortgage holders that they'll be able to pay back their mortgage at the end of its term



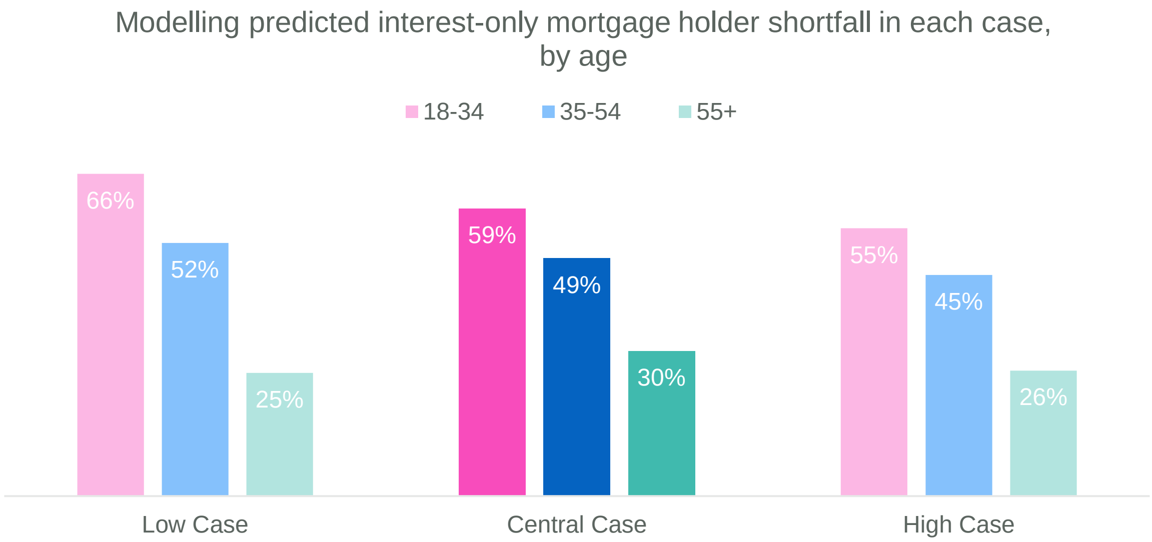
This indicates that there is a quite a significant proportion of interest-only mortgage holders who think they are in a position to pay off their mortgage, however the modelling would suggest that their confidence may be misplaced.

86% of those who fall into the modelled shortfall are confident that they'll be able to pay off their capital at the end of their term

The Central Case modelling scenario emphasises the gap between interest-only mortgage holders' confidence and their actual ability to pay their mortgage capital off.

Specifically looking at the demographic breakdown of those likely to experience a shortfall as calculated by the modelling, this highlights that a larger proportion of women (50%) than men (40%) are predicted to have a shortfall at the end of their term.

Age is also a key factor in differentiating whether interest-only mortgage holders could experience a shortfall or not. The modelling predicts that those aged 18-34 are much more likely to have a shortfall compared to their older counterparts in all three scenarios in the modelling:

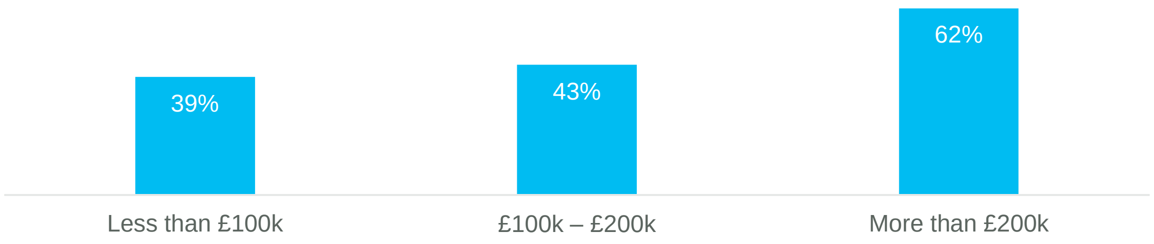


This demographic of younger adults are more likely to have longer on their mortgage, meaning this shortfall could be highlighting a long-term problem for the interest-only market. Older adults, aged 55+, are much less likely to encounter a shortfall, however still almost a third (30%) are predicted to have a shortfall.

Income is not as big of a differentiator as age or gender in terms of predicting a shortfall in the modelling. Among households with an income of less than £50,000 a year pre-tax, 48% are predicted to have a shortfall compared to 45% of those households who earn over £50,000.

Remaining mortgage balance is an important indicator of whether there will be a predicted shortfall. Those who have a higher current mortgage balance are far more likely to experience a shortfall, according to the modelling, than those which a lower current balance. This is in line with participants' own predictions.

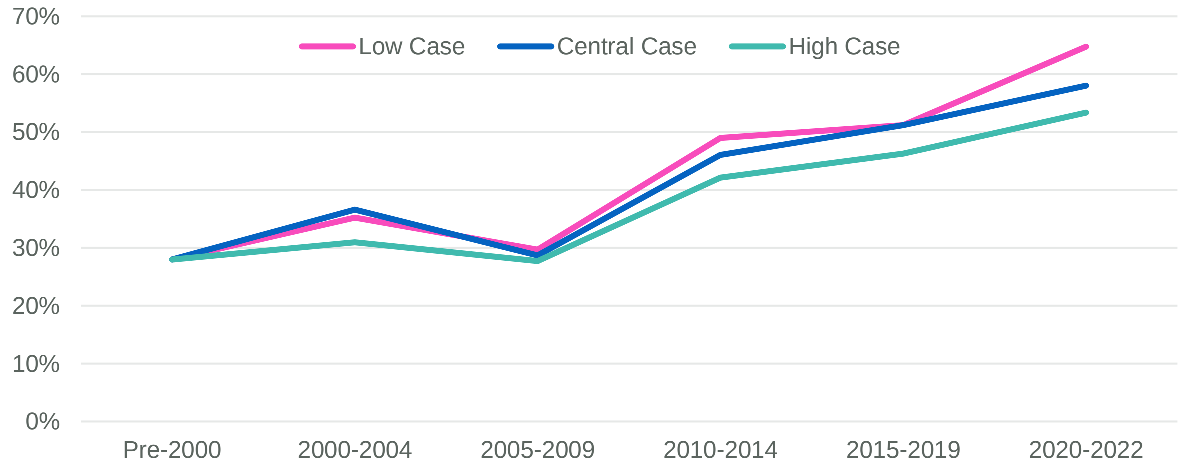
Modelling predicted interest-only mortgage holder shortfall by current mortgage balance (Central Case)



Around two-fifths of those with a mortgage balance of less than £100K are predicted to experience a shortfall when their mortgage term ends. The model predicts that this shortfall is between £500 - £75,000 (with an average of £45,571). The proportion grows to more than three-fifths among those whose balance is over £200k, and the average modelling predicted shortfall here is between £5,000-£783,000 (with an average of £292,693).

When the interest-only mortgage was taken out is an important factor in understanding where the mortgage shortfalls come about. Those who have taken out their mortgage in the last decade are far more likely to have a shortfall at the end of the term. No differences in this outcome were noted across the three scenarios tested.

Modelling predicted interest-only mortgage holder shortfall, by year the mortgage was taken out



Across all three cases there is a significant increase from 2010 onwards for the proportion who are predicted to have a mortgage shortfall by the end of their term (mortgages that were taken out after 2010 represent 68% of cases). Focusing on the central case, among those who took out their interest-only mortgage before 2010, 30% are predicted to have a shortfall compared to 52% among those who took this mortgage out from 2010 onwards.

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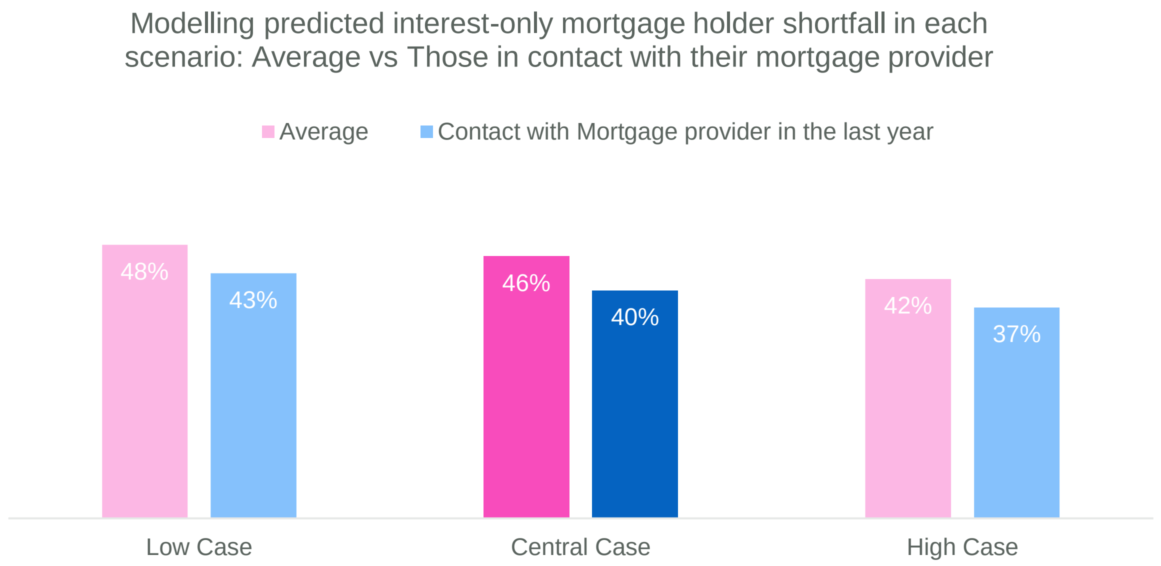
This finding is likely to be of particular interest as regulatory changes made in 2014 mean that lenders should satisfy themselves that any new interest-only borrowers have a credible repayment strategy.

Mortgage brokers have a significant role to play in providing interest-only mortgages, but subsequent interactions with the mortgage providers do not largely impact whether or not shortfall will be experienced at the end of the term

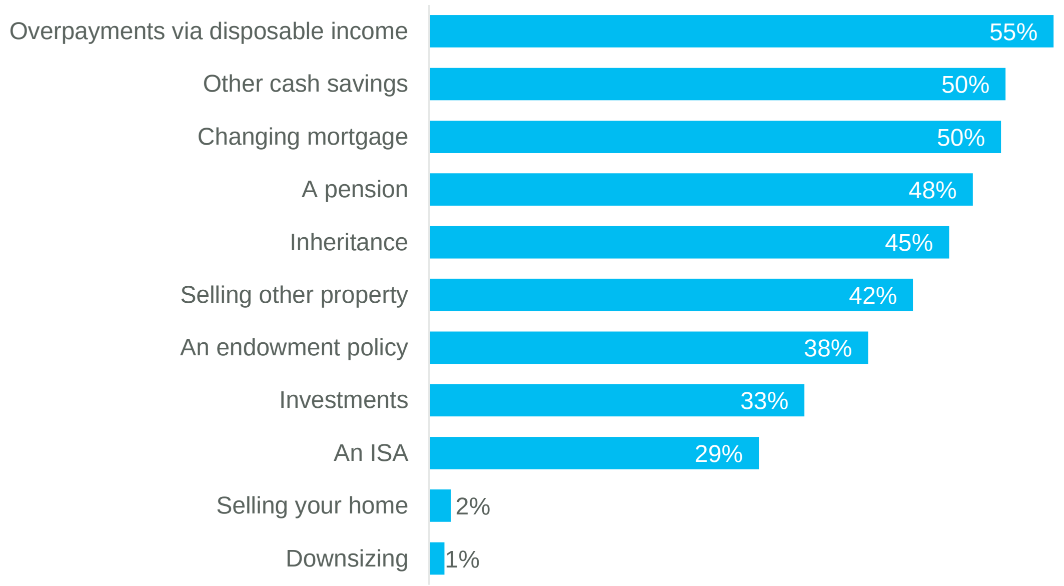
Borrowers were asked if their mortgage provider had been in touch in the last year to ask about the mortgage and plans for repayment. The modelling highlights some correlation between this interaction and a predicted shortfall however this is not as large as might be expected. In the central case, of those have been in contact with their mortgage provider in the last year, two fifths (40%) are predicted to have a shortfall at the end of their term (6 percentage points lower than the average):



In each of the modelling cases, receiving contact from mortgage providers and being asked about the mortgage and their plans to repay, does have some impact on the predicted shortfall. This shows that regular contact could be a good way to focus interest-only mortgage holders on their financial planning and encourage planning so that potential shortfalls can be avoided.

For some, there is a clear way that they're going to repay their mortgage, and it's unlikely that they're going to be in shortfall at the end of the term. For others, this is not the case and the modelling highlights the gap between plans and the potential reality of their financial position:

Modelling predicted interest-only mortgage holder shortfall, by repayment vehicle (Central Case)



Those who are looking to pay off their interest-only mortgage by selling their home (and not buying another property) or downsizing are far less likely to be in a shortfall at the end of their term. Just 2% of those who plan to sell their home will be in a shortfall, with 1% being in a shortfall even if they downsize. The capital obtained by selling/downsizing is clearly enough for most to have the ability to pay off their mortgage, however this is not always feasible for many interest-only mortgage holders.

For those who are looking to pay their capital off by selling another property, the model predicts that 42% will be in a shortfall.

Using their own house as leverage is naturally the most effective way of steering clear of a shortfall, however, it is really only a viable option if the borrower has alternative living arrangements available to them.

Both investments and ISAs are popular repayment vehicles, and in most cases these help the interest-only mortgage holder avoid a shortfall. Those using investments (33%) or ISAs (29%) are far less likely than the average (46%) to experience a shortfall. Those who plan on using an endowment policy (38%) are also less likely than average to experience a shortfall. Again, these are long-term financial plans which allow the mortgage holder to be better prepared when their mortgage comes to an end.

The quantitative survey showed that 16% intend to use inheritance as a repayment method however the modelling predicts this approach will leave 45% in a shortfall (which is in line with the average). This reliance on others to pay off their interest-only mortgage is inherently a more risky strategy as it can be difficult for a mortgage holder to predict when they'll receive the inheritance. Even if the inheritance is in the form of gifts, the taper relief on the sizable gifts adds to the unreliability of using this method.

Pensions, whilst they might seem like a reliable way to pay off the interest-only mortgages at the end of the mortgage term, are predicted to result in a shortfall for 48%, which is two percentage points above the average. Similarly, changing to another type of mortgage is a plan for some, but this would still result in a shortfall for 50%. This may not be the best solution, as of those who have added an interest-only element to their current mortgage, over half (52%) are predicted to have a shortfall.

Planned repayment vehicles which result in the highest proportion of interest-only mortgage holder predicted shortfalls, are cash savings (50%) and making overpayments using disposable income (55%)

Over half of those planning overpayments are anticipated to have a shortfall at the end of their term, suggesting, as came through in the qualitative interviews, that interest-only mortgage holders have misplaced confidence in their intended plans.

Appendix 1 – Methodology

The research consisted of three phases:

Phase 1 quantitative research, an online survey measured the demographics, profile and repayment vehicles of those who hold interest-only mortgages on their main home and collected figures to be used in the statistical modelling.

Phase 2 the modelling used figures from the quantitative survey with the purpose of calculating whether participants' intended repayment plans would be sufficient to pay off the capital when their interest-only mortgage came to an end.

Phase 3 qualitative research, consisting of in-depth interviews focussed on the details of proposed repayment vehicles, explored participants' confidence around repaying the capital at the end of the mortgage term and investigated comprehension of their interest-only mortgages and communications with lenders.

We expand on the methodology in each of these phases below.

Phase 1: Quantitative methodology

In the first phase of research a 10-minute online survey was conducted with interest-only mortgage holders.

The purpose of this phase was to explore the demographic make-up of consumers who hold interest-only mortgages, motivations for taking out that type of mortgage and what advice and information they were originally provided with. The research also established if they had a repayment strategy to repay the capital at the end of the term and how confident they were in these plans.

In addition, the survey collected figures to be used as part of the statistical model (see phase 2 below).

Pre-main stage fieldwork

Prior to the main-stage fieldwork, a short online feasibility study was conducted on the Opinium omnibus which included incidence questions to determine rates of interest-only mortgage holders, including the proportion of part and part interest-only mortgage holders we might be likely to see during the main stage of the research.

Having established the feasibility to run the project online, the questionnaire was developed. A pilot was also conducted to test the survey questions and to assess if there were any elements of the questionnaire which participants found more challenging to understand, or if they were not answering as expected.

Fieldwork for the pilot took place between the 22nd to 29th July and 49 interviews were completed.

As a result of the pilot study, a few changes were made to the initial draft of the survey, including asking about the participants' property type and the question relating to current property value was amended to allow for greater accuracy from participants.

Main stage fieldwork

Following a review of the initial pilot data a realistic target sample size for the main stage was set at 1000 completed interviews.

The components of the questionnaire used during the main stage of fieldwork are outlined in Figure 1. and a full version of the survey can be found in appendix 2. It is important to note that whilst the questionnaire design drew upon the 2012 survey, the questionnaire used for that research was reviewed, shortened and updated to provide an optimum experience for participants and to improve accuracy of data collection.

Figure 1. Overview of FCA interest-only mortgage questionnaire

Screener* & demographics	Type of mortgages owned in general and on main property, ability to answer questions on the mortgage, gender, age, region, responsibility for paying off mortgage, type of property
Mortgage information	Mortgage details, taken out (inc. switching), term, current balance, property value at purchase and current, reason for taking an IO mortgage, understanding and information provided about the mortgage at the time
Repayment vehicle	Intended repayment vehicle (if any). Financial information related to each repayment vehicle inc. amount saved/invested last year, prediction for increase or decrease in this amount per year over remaining term, total value. Value of assets inc. main property, other property, business. Proportion to be used to pay off mortgage
Repayment strategy and planning	Engagement from mortgage provider about repayment strategy, confidence in ability to repay at end of term, potential for shortfall and plan for dealing with that
Profiling	Attitude to borrowing, impact of financial crisis, marital and working status, family status, ethnicity, income and social grade

Demographic questions, including age, gender and region were monitored in line with the response rate from the 2012 study. However, given the lower incidence of interest-only mortgage holders no quotas were set to ensure a large enough sample overall.

During the main fieldwork for the quantitative survey, 987 online interviews were completed among interest-only mortgage holders. These interviews were conducted between 11th and - 30th August 2022.

Phase 2: Statistical Modelling

Following the quantitative fieldwork, balance sheet modelling was conducted using the data collected from the quantitative survey and a set of assumptions including external market factors provided by the FCA.

The model predicts the amount of capital available at the end of the mortgage term and assesses the accuracy and reliability of participants' repayment strategies. The model also determines whether there is likely to be a shortfall at the end of the term and how much this is likely to be.

The main data used in the modelling came from the question on current mortgage balance (Q2), the year the mortgage is due to be paid off (Q3) and the questions covering each individual repayment vehicle (Q14 - Q96). Full details of the questions used as part of the model can be found in appendix 3.

Assumptions were used in the balance modelling in the following three ways:

- When data was missing due to a question being answered with '*Don't know'*, or *'Prefer not to say'*; or not easily assigned a midpoint value due to being above the highest option on a numeric scale (e.g. *'More than £250,000'* on Q17).
- To ensure that broader macroeconomic factors were considered
- To ensure a consistent approach to general 'unknowns' i.e. potential actions taken by participants over the course of their mortgage term (e.g. removing any funds from savings used as part of a repayment vehicle to cover emergency expenses or unpredicted events)

To assist participants to provide more accurate responses, questions relating to financial values were asked in ranges. For example:

Q1. ASK ALL
SINGLE

How much do you think your property is worth now? Your best guess is fine. You could estimate based on sales of other property in the area.

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don't know
Prefer not to say

The modelling however required a precise figure therefore the midpoint of each range was taken to be used in the calculations. For example, ***£425,000*** was the figure used when the scale option ***£400,001 - £450,000*** was selected.

The equations used to calculate the contribution of each repayment vehicle to repay the mortgage capital can be found in appendix 3.

Missing data assumptions

In the first instance where data was missing, assumptions were created depending on the question type:

- For a numeric scale question (see Q16 in appendix 2 for an example), participants were assigned a value based on the median of all other participants who answered the question. Any figure calculated from this median was assumed to be constant and not impacted by any question which would increase or decrease this figure over the long term (see Q22 in appendix 2 for an example).

- For a numeric scale question where the highest option was selected, the figure used as the cut-off point was multiplied by a factor of 1.2. For example, ***£300,000*** would be the figure used in the model if ***More than £250,000*** on was selected on a question
- For the question on when the mortgage was due to be paid off (Q3), when a *'Don't know'* or '*Prefer not to say'* option was selected the median year (2030) was used. For the answer at the highpoint of the scale, a 40-year mortgage ending in 2062 was assumed.

Macroeconomic assumptions

The macroeconomic assumptions included variables based on more or less favourable economic conditions (see Figure 2).

Figure 2. Macroeconomic assumption variables

VARIABLES	LOW	CENTRAL	HIGH
Cash interest rate	0%	3%	6%
Equity return rate	0%	4%	8%
Inflation rate	1%	3%	5%
Property growth rate	-3%	1%	5%
Tax rate	0%	30%	30%

These variables were used to multiply relevant figures gathered about repayment vehicles (Q14-Q96) either over the whole time the mortgage would be held (for cash interest rates, equity return rates, inflation rates, property growth rate) or in a single instance (tax rate).

As these are assumptions, three different scenarios were created, showing the impact that more or less favourable macroeconomic conditions would have on participants' ability to repay their mortgage capital.

Modelling assumptions

The final set of assumptions were modelling assumptions which can be split into assumptions dependent on survey results and assumptions independent of survey results.

Assumptions based on survey results were used for questions relating to whether a participant would increase the amount they would be contributing to a repayment vehicle the following year (see Q22 in appendix 2 for an example).

In this instance, the percentage increase or decrease (see Q23 or Q24 in appendix 2 for an example) was assumed to take place for the next year and be the permanent figure for contributions toward the repayment vehicle until the end of the term.

As an example, if a participant said that they were contributing less than £1,000 to a Cash ISA (Q16), increasing their contribution (Q22) by less than 25%, the first year contribution to the model would be £499.50 (mid-point) and for every additional year £505.74 (£499.5 * 1.0125 = £505.74).

Modelling assumptions independent of survey responses include that:

- There would be no withdrawal of any savings or investments before the mortgage is due to be paid off
- There are no transaction costs in selling homes, businesses or assets.
- Capital gains or income taxes are applied at the same rate with no tiered structure.

Phase 3: Qualitative methodology

In the final phase, qualitative research was employed to explore interest-only mortgage holders' understanding of their mortgages and their confidence in their repayment method for paying off the capital when their interest-only mortgage matured.

We conducted in-depth one-on-one interviews with a total of 20 interest-only mortgage holders, divided equally between:

- Those who are confident that they will be able to pay off the remaining capital with their repayment plan, and
- Those who are not confident in their repayment plan, or think they cannot afford to repay the remaining capital

To ensure that we gained a broad range of views among interest-only mortgage holders we recruited a mix of those with different mortgage end dates, different repayment vehicles, different levels of confidence repaying the capital and household income.

To recruit the participants, we designed a short recruitment survey that screened consumers based on their eligibility and availability to take part. Not only did the questions screen potential participants against the recruitment criteria, but they also allowed us to profile them on what they included in their repayment plan and how confident they felt about this plan, any advice they had sought about their mortgage and their overall feelings about the mortgage.

Prior to the interviews taking place, participants were provided with a short 'homework' task. The task, which was hosted on an online platform, allowed us to learn more about them and their financial situation, as well as help warm participants up to the topic.

The in-depth interviews were 45 minutes in length and were conducted via Teams or Zoom, depending on participants' preference, with the option of telephone interviews provided to those not comfortable using web conferencing for inclusivity. Fieldwork ran between the 15th September and the 5th October 2022.

The topics discussed within the interviews were as follows:

- Understanding of what the ‘interest-only’ element of the mortgage meant
- If they ***have*** a repayment plan:
    - What repayment vehicles are part of their plan
    - Development of their repayment plan (including any advice they had received)
    - Confidence in their repayment plan
    - Future risks when it comes to their repayment plan
    - Whether they were contacted by their mortgage adviser or lender about their repayment plan
- If they ***did not*** have a repayment plan:
    - Barriers to creating a repayment plan
    - Whether they had sought information on a repayment plan
    - Feelings about personal finances in the future
    - Whether they were contacted by their mortgage adviser or lender about a repayment plan

Appendix 2 – Quantitative survey

Demographics and screeners

D1 ASK ALL
SINGLE
Do you currently have a mortgage on any properties that you own, live in or use? Please do not include any properties that you have a buy to let mortgage on. Please include any you hold jointly with another person.

1. Yes
2. No [SCREENOUT]
3. Don't know [SCREENOUT]

D2 ASK ALL
SINGLE
How many properties do you have mortgages on? Again, please do not include buy to let mortgages.

1. One
2. Two
3. Three
4. Four
5. Five
6. More than five

D3 ASK ALL
GRID
What type of mortgage do you have on your properties? Please include all mortgages you have taken out on your property, even if they were taken out at different times

ROWS
PULL THROUGH PROPERTIES FROM D2
SHOW AS PROPERTY 1
PROPERTY 2 ETC

COLUMNS

1. **Interest-only:** you repay only the interest on the amount borrowed. You would ideally need to have some other savings or plan to repay the loan itself at the end of the mortgage term
2. **Repayment only:** your repayment to the lender pays the interest on the mortgage and repays the amount borrowed. At the end of the mortgage you don't owe anything.
3. **Part interest-only, part repayment:** this may be one mortgage or several you have on your home (they may have been taken out at different times)
4. **Offset mortgage**

5. **Don't know**

SCREEN OUT ANYONE WHO DOESN'T HAVE INTEREST-ONLY OR PART INTEREST-ONLY ON ANY PROPERTY

D3A ASK ALL WITH MORE THAN ONE PROPERTY
SINGLE

You have said you have an interest-only or part interest-only mortgage. Is this on your main property, i.e. the property that you live in as your main residence?

1. Yes
2. No
3. Don't know

SCREEN OUT ANYONE WHO DOES NOT HAVE AN INTEREST-ONLY MORTGAGE ON THEIR MAIN PROPERTY (D3A=2-3)

For the remainder of the questionnaire please answer about the interest-only mortgage(s) or the part interest-only, part repayment mortgage(s) that you have on your main home.

D4 ASK ALL WITH AN INTEREST-ONLY/ PART AND PART MORTGAGE
SINGLE

Do you own either an Equity Release mortgage, a Home Reversion plan or a Lifetime Mortgage?

1. Yes
2. No
3. Don't know

SCREEN OUT ANYONE WHO ONLY HAS AN EQUITY RELEASE, OR HOME REVERSION OR LIFETIME MORTGAGE

D5 ASK ALL
SINGLE

Which of the following best describes the interest-only/ part interest-only part repayment mortgage on your home?

1. The mortgage is in my name and I make all the decisions about it
2. The mortgage is held jointly, and I am one of those who make decisions
3. The mortgage is held jointly, but someone else usually makes the decision about it
4. Someone else makes the decisions about the mortgage [SCREENOUT]

D6 ASK ALL WHERE D5=3
SINGLE

This survey is about interest-only mortgages for your main home and your ability to pay off the loan at the end of your mortgage term. Are you able to answer questions about how your joint mortgage will be paid off?

1. Yes
2. No

D7 IF NO
SINGLE
Is the person who usually makes decisions about the mortgage able to complete the survey?

1. Yes
2. No [SCREENOUT]

IF YES
Please ask the person who makes the decisions about the mortgage to complete the survey from here onwards

INCLUDE HIDDEN QUESTION TO ALLOCATE TO
INTEREST-ONLY
PART AND PART

D8 ASK ALL WITH AN INTEREST-ONLY/ PART AND PART MORTGAGE
SINGLE
Are you

1. Male
2. Female
3. Other
4. Prefer not to say

D9 ASK ALL WITH AN INTEREST-ONLY/ PART AND PART MORTGAGE
SINGLE
Please state your age

Under 18
18
19
20
21
22
23
24
25
26
[ETC TO 80]
Over 80

D10 ASK ALL WITH AN INTEREST-ONLY/ PART AND PART MORTGAGE SINGLE

I live in…

1. North East
2. North West
3. Yorkshire & Humberside
4. East Midlands
5. West Midlands
6. East of England
7. London
8. South East
9. South West
10. Wales
11. Scotland
12. Northern Ireland

D11 ASK ALL WITH AN INTEREST-ONLY/ PART AND PART MORTGAGE SINGLE

Who will be responsible for paying off the loan at the end of the term

1. I will on my own
2. I will be jointly with someone else
3. Someone else [SCREENOUT]
4. Don't know [SCREENOUT]

D12 ASK ALL SINGLE

And thinking about your main home, what type of property is it?

1. Bungalow
2. Flat (basement)
3. Flat (ground)
4. Flat (first floor or above)
5. Maisonette
6. Detached house
7. Semi-detached house
8. Terraced house
9. Other (please specify)

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Main questionnaire

1 | Basic information about the mortgage

INFO

The FCA is responsible for protecting the interests of consumers and is looking to build up a picture of how people repay interest-only mortgages, and to do so they need to understand how and when people intend to pay off these mortgages. We'd like to ask you more about your interest-only mortgage but would like to stress that this is entirely confidential and anonymous.

You will not be identified in the survey and nothing will be linked to your name or address.

Some of the questions are quite detailed. This is so we can understand the broad picture across all the people we speak to rather than because we are looking at any individuals.

When answering all these questions <u>please think about all the interest-only mortgages you have</u> on your main home.

Q1. ASK ALL
HAVE AS DROPDOWN LIST

Thinking about the interest-only mortgage you have on your property, when did you take this out?

Please do <u>not</u> include any additional borrowing against your mortgage.

2022
2021
2020
2019
2018
Etc down to 1990
Before 1990
Don't know
Prefer not to say

Q2. ASK ALL
SINGLE

And how much is the current mortgage balance, <u>including</u> any additional borrowing?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000

£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q3. ASK ALL
DROPDOWN LIST

When is the interest-only mortgage on your home due to be paid off?

This year (2022)
Next year (2023)
2024
2025
2026
2027
2028
2029
Etc until 2055
Don’t know
Prefer not to say

Q4. ASK ALL
OPEN NUMERICAL BOX

When you bought your property, how much did it cost?

Please insert a number to the nearest thousand.

Where we ask for you to enter a number or £ value, please enter in full. For example, when putting in, Two hundred and fifty thousand pounds (£250,000) put in the full number.

Right entry: 250000

Wrong entry: 250

OPEN BOX

1. Prefer not to say

Q4CONFIRM ASK Q4<£100,000
OPEN NUMERICAL BOX

You have said that the cost of your property was less than *one hundred thousand pounds (£100,000)* when you bought it.

Please could you confirm that this is correct.

1. That is correct
2. That is not correct [REPEAT Q4]

Q5. ASK ALL
SINGLE

How much do you think your property is worth now? Your best guess is fine. You could estimate based on sales of other property in the area.

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000

£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don't know
Prefer not to say

Q6. ASK ALL
MULTI
What made you decide to take the type of mortgage you did?
1. Lower monthly payments
2. Advice from a financial adviser or mortgage broker
3. Advice from family, friends, colleagues
4. Very popular option at the time / best option at the time
5. Already had other funds or sources of money as a way of paying off the mortgage
6. Better value in the long run
7. More flexible
8. Only type of mortgage we could afford
9. Only type of mortgage we were offered/could get
10. Already had a repayment plan / strategy in place from a previous mortgage
11. Other (please specify)

Q7. ASK ALL
SINGLE
Who is your current interest-only mortgage with?

DROP DOWN LIST OF OPEN AND CLOSED BOOK LENDERS AT END OF SURVEY

Q7A ASK ALL
SINGLE
You said that your interest-only mortgage is with another provider.

Please could you tell us the name of the provider?

WRITE IN

1. Prefer not to say

Q8. ASK ALL
SINGLE
When you took out the mortgage, did you know that you needed a repayment plan that would repay the capital (i.e the amount you borrowed) at the end of the term and that this was separate to your interest payments?
1. Yes
2. No
3. Don't know

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Q8B ASK ALL
SINGLE

When you took out the mortgage, did you know that your repayments were only paying off the interest and not paying off the amount you borrowed?

1. Yes
2. No
3. Don't know

Q9. ASK ALL
SINGLE

Have you changed the mortgage on this property from a repayment mortgage to an interest-only, or have you always been on an interest-only mortgage?

1. Always interest-only / always had an interest-only element
2. Switched from fully repayment to fully interest-only
3. Added an interest-only element

Q10. ASK ALL SWITCHING (Q9=2 OR 3)
DROP DOWN LIST

When did you switch to interest-only or add the interest-only element?

2022
2021
2020
2019
2018
Etc down to 1990
Before 1990
Don't know
Prefer not to say

Q11. ASK ALL SWITCHING (Q9=2 OR 3)
MULTI

And what was it that prompted you to change to/ add an interest-only element?

1. Lower monthly payments
2. Advice from a financial adviser or mortgage broker
3. Advice from family, friends, colleagues
4. Very popular option at the time / best option at the time
5. Already had other funds or sources of money as a way of paying off the
   12. mortgage
6. Better value in the long run
7. More flexible
8. Only type of mortgage we could afford
9. Only type of mortgage we were offered/could get
10. Already had a repayment plan / strategy in place from a previous mortgage
11. Other (specify)

Q12. ASK ALL
MULTI
Which of these, if any, do you currently intend to use to pay off your mortgage at the end of the term?

1. An ISA (cash or equity/stocks and shares)
2. Other cash savings
3. Investments not in an ISA
4. A pension (lump sum)
5. An endowment policy (an insurance savings policy)
6. Selling your home and moving somewhere smaller (downsizing)
7. Selling your home (and not buying another property)
8. Selling other property (includes rental properties)
9. Selling a business
10. Selling other assets (land, paintings, gold etc)
11. Inheritance
12. I will use disposable income to make overpayments and pay off the loan over the term of the mortgage
13. Change to another type of mortgage
14. Other (specify)
15. Cannot afford to pay off mortgage [EXCLUSIVE]
16. Don't know [EXCLUSIVE]
17. None of these [EXCLUSIVE]

Q12A ASK WHO SELECT ONE REPAYMENT METHOD AT Q12
SINGLE
To confirm, you plan to use [REFERENCE TO Q12] **to pay off 100% of your loan at the end of the term?**

1. Yes
2. No

[ASK Q12 AGAIN TO THOSE WHO SELECTED Q12A=2]

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Q13. ASK ALL SELECTED AT Q12 THAT WILL PROVIDE FUNDS TO REPAY THE LOAN (1-12) AND MORE THAN ONE OPTION
[ALLOCATION GRID TO ADD UP 100%]

And, thinking about how you plan to pay off your mortgage, how do you intend to split the payments i.e. what proportion will come from each source?

For example, if you will pay half with your ISA and half with a pension lump sum please allocate 50% to each.

PULL THROUGH OPTIONS AT Q12

1. An ISA (cash or equity/stocks and shares)
2. Other cash savings
3. Investments not in an ISA
4. A pension (lump sum)
5. An endowment policy (an insurance savings policy)
6. Selling your home and moving somewhere smaller (downsizing)
7. Selling your home (and not buying another property)
8. Selling other property (includes rental properties)
9. Selling a business
10. Selling other assets (land, paintings, gold etc)
11. Inheritance
12. I will use disposable income to make overpayments and pay off the loan over the term of the mortgage
13. Other

FOR ALL WHO SAID AT D11 THE MORTGAGE WAS GOING TO BE PAID OFF JOINTLY WITH SOMEONE ELSE:

You stated earlier that you would be <u>jointly</u> responsible for paying off the capital of the loan at the end of the term. In the following questions, when providing information about the value of any savings, pensions or ISAs or sharing details of investments etc that will be used to repay the loan, please answer for <u>all parties</u> responsible for the mortgage.

INFO

We are now going to ask a series of questions about the capital you have available to repay your interest-only mortgage.

This will include question on the sums of money you have available in different places to pay off your mortgage and / or on any additional borrowing.

Just as a reminder, the figures that you provide are fully anonymous and reported in aggregate. You will <u>not</u> be identifiable from your responses.

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3 | ISAs (show section to code 1 at Q12)

INFO
We'd like to ask you about your ISAs. As you may know, you can hold cash ISAs and also equity ISAs, where some of the ISA is invested in the stock market or funds based on the stock market.

Q14. ASK ALL JOINTLY RESPONSIBLE AT D11
SINGLE
How many people will be using their ISA(s) to pay off your mortgage at the end of the term?

1. One
2. Two
3. More than two

Q14 2 OR 3: **When answering the questions below please answer for all who will be contributing towards paying off the mortgage at the end of the term. For example, when answering how much was paid into ISA(s), please consider how much ALL parties contributing to the mortgage paid into their ISA(s) in total.**

Q15. ASK ALL
SINGLE
Are the ISA savings being used coming from;

1. Cash only
2. Equity/stocks and shares only
3. Both

Q16. ASK ALL WITH CASH BASED ISA SAVINGS (Q15=1 OR 3)
NUMERIC
How much was paid into the Cash ISA(s) in the last tax year April 2021 – March 2022?

This should be the total for all whose ISAs will contribute towards paying off the mortgage

Less than £1,000
£1,000 - £1,999
£2,000 - £2,999
£3,000 - £3,999
£4,000 - £4,999
£5,000 - £5,999
£6,000 - £6,999
£7,000 - £7,999
£8,000 - £8,999
£9,000 - £9,999
£10,000 - £10,999
£11,000 - £11,999
£12,000 - £12,999

£13,000 - £13,999
£14,000 - £14,999
£15,000 - £15,999
£16,000 - £16,999
£17,000 - £17,999
£18,000 - £18,999
£19,000 - £19,999
£20,000
Don't know
Prefer not to say

Q17. ASK ALL WITH CASH BASED ISA SAVINGS (Q15=1 OR 3)
NUMERIC

Thinking about all the savings in cash ISAs not just in the last tax year, what is the total value of your holdings in cash ISAs? Again, please think about the total in ISA funds for anyone that will be using ISA savings to pay off the mortgage

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q18. ASK ALL WITH CASH BASED ISA SAVINGS (Q15=1 OR 3)
SINGLE

What proportion of the amount in the cash ISA(s) do you intend to use to repay your mortgage

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know

Q19. ASK ALL WITH EQUITY/STOCKS AND SHARES BASED ISA SAVINGS (Q15=2 OR 3)
NUMERIC

How much was paid into the Equity/stocks and shares ISA(s) in the last tax year April 2021 – March 2022. Please think about all equity ISAs that will go towards paying off the mortgage.

Less than £1,000
£1,000 - £1,999
£2,000 - £2,999
£3,000 - £3,999
£4,000 - £4,999
£5,000 - £5,999
£6,000 - £6,999
£7,000 - £7,999
£8,000 - £8,999
£9,000 - £9,999
£10,000 - £10,999
£11,000 - £11,999
£12,000 - £12,999
£13,000 - £13,999
£14,000 - £14,999
£15,000 - £15,999
£16,000 - £16,999
£17,000 - £17,999
£18,000 - £18,999
£19,000 - £19,999
£20,000
Don't know
Prefer not to say

Q20. ASK ALL WITH EQUITY/STOCKS AND SHARES BASED ISA SAVINGS (Q15=1 OR 3) NUMERIC

Thinking about all the savings in equity/stocks and shares ISAs earmarked to pay off your mortgage, not just this year, what is the total value (for all parties) of your holdings in equity/stocks and shares ISAs?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don't know
Prefer not to say

Q21. ASK ALL WITH EQUITY BASED ISA SAVINGS (Q15=1 OR 3) SINGLE

What proportion of the amount in the equity ISA(s) do you intend to use to repay your mortgage

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

Q22. ASK ALL WITH ISA SAVINGS
SINGLE
[IF ONLY CASH ISAS] **In the last tax year you said that £x** [PULL THROUGH VALUE FROM Q16] **was paid intoISAs?**

[IF ONLY EQUITY ISAS] **In the last tax year you said that £x** [PULL THROUGH VALUE FROM Q19] **was paid into ISAs?**

[IF BOTH CASH AND EQUITY ISAS] **In the last tax year you said that £x** [PULL THROUGH VALUE FROM Q16] **was paid into Cash ISAs and that £x** [PULL THROUGH VALUE FROM Q19] **was paid into Equity ISAs?**

Thinking ahead until the end of your mortgage, do you think the [IF BOTH: **TOTAL**] **amount that will be saved each year will**

1. Increase
2. Decrease
3. Stay the same

Q23. ASK ALL IF INCREASE
SINGLE
You have said that you will increase on the total amount that you paid into ISA's last year?

Approximately how much do you think the amount you save each year will increase by?

4. Less than 25%
5. Between 25%-49%
6. Between 50%-74%
7. Between 75-100%
8. More than 100%

Q24. ASK ALL IF DECREASE
SINGLE
You have said that you will decrease on the £X [pull through value] **that you paid into ISA's last year?**

Approximately how much do you think the amount you save each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

4 | Other savings (show section to code 2 at Q12)

INFO

We'd like to understand more about how people save towards repaying their mortgages. Here we are talking about savings other than ISAs.

Q25. ASK ALL JOINTLY RESPONSIBLE AT D11
SINGLE

How many people will be using their savings (not including ISAs) to pay off your mortgage at the end of the term

1. One
2. Two
3. More than two

Q25 2 OR 3: **When answering the questions below please answer for all who will be contributing towards paying off the mortgage at the end of the term. For example, when answering how much you paid into savings, please consider how much ALL parties contributing to the mortgage paid into their savings in total.**

Q26. ASK ALL WITH SAVINGS ACCOUNTS (Q12=2)
NUMERIC

How much was saved in the last 12 months into savings accounts? Please exclude any ISA savings. Please include the total amount in savings for all who are using savings to pay off the mortgage.

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999

£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q27. ASK ALL WITH SAVINGS ACCOUNTS (Q12=2)
NUMERIC

Thinking about all your savings in savings accounts what is the total value of your savings? Please exclude any ISA savings.

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

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Q28. ASK ALL WITH SAVINGS ACCOUNTS (Q12=2)
SINGLE
What proportion of your savings do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

Q29. ASK ALL WITH SAVINGS ACCOUNTS (Q12=2)
SINGLE
In the last year you said that £x [PULL THROUGH VALUE FROM Q26] **was paid into savings accounts? Thinking ahead until the end of your mortgage, do you think the amount that will be saved each year will**

1. Increase
2. Decrease
3. Stay the same

Q30. ASK ALL IF INCREASE
SINGLE
You have said that you will increase on the £X [pull through value from Q26] **that you paid into savings accounts last year.**

Approximately how much do you think the amount you save each year will increase by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

Q31. ASK ALL IF DECREASE
SINGLE

You have said that you will decrease on the £X [pull through value from Q26] **that you paid into savings accounts last year?**

Approximately how much do you think the amount you save each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

5 | Investments (show section to code 3 at Q12)

Q32. ASK ALL JOINTLY RESPONSIBLE AT D11
SINGLE

How many people will be using their investments to pay off your mortgage at the end of the term

1. One
2. Two
3. More than two

Q32 2 OR 3: **When answering the questions below please answer for all who will be contributing towards paying off the mortgage at the end of the term. For example, when answering how much you paid into investments, please consider how much ALL parties contributing to the mortgage paid into their investments in total.**

Q33. ASK ALL
MULTI

You say that you intend to use investments to pay off your mortgage. Which of the following types of investments are being used to save towards your mortgage repayment?

1. Equity Investments
2. Fixed interest Investments (including Gilts)
3. Don't know

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Q34. ASK ALL
SINGLE

How much has been invested in total over the last 12 months? Please think about the total for all who will be using investments.

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q35. ASK ALL
SINGLE

How much, approximately, is the total value of the investments now?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q36. ASK ALL WITH INVESTMENTS (Q12=3)
SINGLE

What proportion of your investments do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%

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90%
100%
Don't know
Prefer not to say

Q37. ASK ALL WITH INVESTMENTS (Q12=3)
SINGLE

In the last year you said that £x [PULL THROUGH VALUE FROM Q34] **was paid into investments? Thinking ahead until the end of your mortgage, do you think the amount that will be saved each year will**

1. Increase
2. Decrease
3. Stay the same

Q38. ASK ALL IF INCREASE
SINGLE

You have said that you will increase on the £X [pull through value from Q34] **that you paid into investments last year?**

Approximately how much do you think the amount you invest each year will increase by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

Q39. ASK ALL IF DECREASE
SINGLE

You have said that you will decrease on the £X [pull through value from Q34] **that you paid into investments last year?**

Approximately how much do you think the amount you invest each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

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5 | Pension (show section to code 4 at Q12)

Q40. ASK ALL JOINTLY RESPONSIBLE AT D11
SINGLE

How many people will be using their pension to contribute to paying off your mortgage at the end of the term

1. One
2. Two
3. More than two

Q40 2 OR 3: **When answering the questions below please answer for all who will be contributing towards paying off the mortgage at the end of the term. For example, when answering how much you paid into your pensions, please consider how much ALL parties contributing to the mortgage paid into their pensions in total**

Q41. ASK ALL USING A PENSION (Q12=4)
MULTI

You say you're going to use your pension lump sum to repay your mortgage. When you were taking out your mortgage, which of the following was done?

1. A completely new pension plan was arranged at the same time as you arranged the mortgage
2. You already had a pension plan, and that is being used to fund the mortgage
3. You already had a pension plan and you increased its value to cover the mortgage
4. Don't know

Q42. ASK ALL USING A PENSION (Q12=4)
SINGLE

Thinking about the pension lump sum to be used, when can you access this; is it before your mortgage is due to be repaid, at the same time as your mortgage, or after?

1. Before
2. At the same time
3. After
4. Don't know

Q43. ASK ALL USING A PENSION (Q12=4)
SINGLE

Thinking about contributions from employers as well as contributions made yourself, how much was paid into the pensions where a lump sum will be taken in the last year?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q44. ASK ALL USING A PENSION (Q12=4)
SINGLE

What do you estimate the total value of the pension pot(s) to be at the time when you need to repay your mortgage?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q45. ASK ALL USING A PENSION (Q12=4)
SINGLE

What proportion of your pension pot do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%

70%
80%
90%
100%
Don't know
Prefer not to say

Q46. ASK ALL WITH INVESTMENTS (Q12=3)
SINGLE
In the last year you said that £x [PULL THROUGH VALUE FROM Q43] **was paid into pensions? Thinking ahead until the end of your mortgage, do you think the amount put in pensions each year will**

1. Increase
2. Decrease
3. Stay the same

Q47. ASK ALL IF INCREASE
SINGLE
You have said that you will increase on the £X [pull through value from Q43] **that you paid into your pensions last year?**

Approximately how much do you think the amount you put into your pension each year will increase by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

Q48. ASK ALL IF DECREASE
SINGLE
You have said that you will decrease on the £X [pull through value from Q43] **that you paid into your pensions last year?**

Approximately how much do you think the amount you put into your pensions each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

6 | Endowments (show section to code 5 at Q12)

Q49. ASK ALL
SINGLE

Thinking now about your endowment savings plans, how much was paid into the endowment plan being used to pay off the mortgage in the last year?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q50. ASK ALL
SINGLE

Thinking now about your endowment savings plans, what do you estimate the total value of your endowment savings plans will be at the time when you need to repay your mortgage?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q51. ASK ALL
SINGLE

Does your endowment policy mature before your mortgage is due to be repaid, at the same time as your mortgage, or after?

1. Before
2. At the same time
3. After

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Q52. ASK ALL USING AN ENDOWMENT (Q12=5)
SINGLE
What proportion of your endowment savings plans do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

Q53. ASK ALL WITH AN ENDOWMENT (Q12=5)
SINGLE
In the last year you said that £x [PULL THROUGH VALUE FROM Q49] **was paid into your endowment? Thinking ahead until the end of your mortgage, do you think the amount put in your endowment savings plan each year will**

1. Increase
2. Decrease
3. Stay the same

Q54. ASK ALL IF INCREASE
SINGLE
You have said that you will increase on the £X [pull through value from Q49] **that you paid into your endowment last year?**

Approximately how much do you think the amount you pay into your endowment each year will increase by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

Q55. ASK ALL IF DECREASE
SINGLE

You have said that you will decrease on the £X [pull through value from Q49] **that you paid into your endowment last year?**

Approximately how much do you think the amount you pay into your endowment each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

7 | Change Mortgage (show section to code 13 at Q12)

Q56. ASK ALL
MULTI

You say you intend to change the type of mortgage you hold in future. What type of mortgage do you intend to switch to?

1. Repayment only
2. Part repayment, part interest-only
3. Equity release mortgage, a Home Reversion plan or Lifetime Mortgage
4. Other
5. Don't know

Q57. ASK ALL
MULTI

When do you expect to make this change?

1. Within the next year
2. One to two years
3. Three to four years
4. Five years plus
5. Don't know

Q58. ASK ALL
MULTI

Do you expect some change in your financial circumstances that will allow you to change your mortgage type?

1. Yes
2. No

Q59. ASK ALL WHO EXPECT FINANCIAL CIRCUMSTANCES TO CHANGE (Q58=1) MULTI

Which of the following if any, do you expect to allow you to change mortgage type?

1. An increase in household income
2. A decrease in household expenses
3. An increase in the value of your home
4. Paying off other debt
5. Other (Specify)

Q60. ASK ALL WHO EXPECT THEIR HOUSEHOLD INCOME TO INCREASE (Q59=1) MULTI

What will change to increase your household income?

1. Wage increase / promotion
2. Someone not working now will start working or start working full time
3. A new wage earner in the house e.g. partner moving in
4. Debt ceases /loan repaid
5. Other (specify)

Q61. ASK ALL WHO EXPECT THEIR HOUSEHOLD INCOME TO INCREASE (Q59=1) NUMERIC

Can you give me an estimate of how much do you expect your total household income to increase next year?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999

£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q62. ASK ALL WHO EXPECT THEIR HOUSEHOLD EXPENSES TO DECREASE (Q59=2) MULTI

What will change to decrease your household expenses?

1. Children leaving home
2. Children leaving University
3. Lower expenses for children (stop paying fees for school / nursery)
4. Loan or credit commitment finishing
5. Other (specify)

Q63. ASK ALL WHO EXPECT THEIR HOUSEHOLD EXPENSES TO DECREASE (Q59=2) NUMERIC

Can you give me an estimate of how much do you expect your total household expenses to decrease next year?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000

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Don't know
Prefer not to say

8 | Use disposable income /bonus to make extra /overpayments (show section to code 12 at Q12)

Q64. ASK ALL
SINGLE

Over the last 12 months, how much in total have you overpaid on your mortgage?

Your best estimate is fine

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q65. ASK ALL
SINGLE

In the last year you said that £x [PULL THROUGH VALUE FROM Q64] **was overpaid on your mortgage? Thinking ahead until the end of your mortgage, do you think the amount that will be overpaid each year will**

1. Increase
2. Decrease
3. Stay the same

Q66. ASK ALL IF INCREASE
SINGLE

You have said that you will increase on the £X [pull through value from Q64] **that you overpaid last year?**

Approximately how much do you think the amount you overpay each year will increase by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

Q67. ASK ALL IF DECREASE
SINGLE

You have said that you will decrease on the £X [pull through value from Q64] **that you overpaid last year?**

Approximately how much do you think the amount you overpay each year will decrease by?

1. Less than 25%
2. Between 25%-49%
3. Between 50%-74%
4. Between 75-100%
5. More than 100%

9 | Selling home to repay mortgage (show section to code 7 or 8 at Q12)

Q68. ASK ALL
SINGLE

You said earlier you intend to sell your home to repay your mortgage. How much do you think your house will be worth when you need to pay back the mortgage?

We appreciate this may be a long way ahead, so your best guess is fine.

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q69. ASK ALL
MULTI

Where do you intend to live after you sell your current home?

1. A home of the same value
2. A cheaper home
3. A more expensive home
4. A home you will inherit
5. Sell and rent privately
6. Sell and move into social housing
7. Move in with family /friends /partner
8. Other (specify)

Q70. ASK ALL MOVING TO A NEW HOME (Q69=1,2 OR 3)
SINGLE

How many bedrooms does your current home have?

1. 1
2. 2
3. 3
4. 4
5. 5
6. 6+

Q71. ASK ALL MOVING TO A NEW HOME (Q69=1,2 OR 3)
SINGLE

And how many do you think you'll have in your new home?

1. 1
2. 2
3. 3
4. 4
5. 5
6. 6+

Q72. ASK ALL MOVING TO A NEW HOME (Q69=1,2 OR 3)
SINGLE

And do you expect to have the same number of people living in the home, more or fewer?

1. More people
2. Fewer people
3. The same

Q73. ASK ALL
SINGLE

Have you thought about what you will do if your home is not worth as much as you expect, or you need to spend more on your new home?

1. Yes
2. No

10 | Selling other property (show section to code 8 at Q12)

Q74. ASK ALL
NUMERIC

You said earlier other property would be sold to cover your mortgage payment at the end of the term. How much, in total, is that property worth now?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£500,001 – £550,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q75. ASK ALL
SINGLE
And how much do you expect that property to be worth when you need to repay your mortgage? We appreciate this may be a long way ahead, so your best guess is fine.

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don't know
Prefer not to say

Q76. ASK ALL
SINGLE
Do you have any mortgages outstanding on the property to be sold?

1. Yes
2. No

Q77. ASK ALL WITH OUTSTANDING MORTGAGES (Q76=1)
NUMERIC
How much is that mortgage?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000

£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q78. ASK ALL
SINGLE

After the sale of this property, how much do you expect to have left after the mortgage (if you have one on the other property) and any costs have been paid

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q79. ASK ALL
SINGLE

What proportion of the remaining amount from the sale of your other property do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

Q79A ASK ALL
SINGLE

Have you thought about what you will do if the property you sell is not worth as much as you expect?

1. Yes
2. No
3. Don't know

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11 | Selling business (show section to code 9 at Q12)

Q80. ASK ALL
SINGLE

You said earlier you intend to sell a business to raise funds towards the mortgage.

How much is the business to be sold worth now?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don’t know
Prefer not to say

Q81. ASK ALL WHO GAVE A VALUE AT Q80
SINGLE

Is this value…

1. Your own estimate
2. A valuation (e.g. by an accountant)

Q82. ASK ALL WHO GAVE A VALUATION BY AN ACCOUNTANT (Q81=2)
SINGLE

When was that valuation made?

1. In the last 12 months
2. Between 1 and 2 years ago
3. 2-3 years ago
4. 4-5 years ago
5. More than five years ago

Q83. ASK ALL
SINGLE

And how much do you expect your business to be worth when you need to pay back the mortgage?

Less than £50,000
£50,001 – £100,000
£100,001 – £150,000
£150,001 – £200,000
£200,001 – £250,000
£250,001 – £300,000
£300,001 – £350,000
£350,001 – £400,000
£400,001 – £450,000
£450,001 – £500,000
£550,001 – £600,000
£600,001 – £650,000
£650,001 – £700,000
£700,001 – £750,000
£750,001 – £800,000
£800,001 – £850,000
£850,001 – £900,000
£900,001 – £950,000
£950,001 – £1,000,000
Over £1,000,000
Don't know
Prefer not to say

Q84. ASK ALL
SINGLE

What proportion of the amount of the sale of the business do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

12 | Selling other assets (show section to code 10 at Q12)

Q85. ASK ALL
MULTI

You said earlier that other assets would be sold to cover your mortgage. What assets will be sold?

1. Land
2. Collectables (art, antiques etc)
3. Gold or other metals
4. Other (Specify)

Q86. ASK ALL
NUMERIC

In total, what is the current estimated value of the assets that will be sold?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q87. ASK ALL SELLING ASSETS
SINGLE
What proportion of the amount of from the sale of the assets do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don’t know
Prefer not to say

13 | Inheritance (show section to code 11 at Q12)

Q88. ASK ALL
MULTI
You’ve said that you intend to use inheritance to pay off your mortgage. Where is your inheritance likely to come from?

1. Parent
2. Parent-in-law
3. Other relative
4. Other

Q89. ASK ALL
Bearing in mind that there may be other people benefitting from the inheritance, how much do you expect your share of the inheritance to be?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999

£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q90. ASK ALL USING INHERTIANCE
SINGLE

What proportion of the inheritance do you intend to use to repay your mortgage?

Less than 10%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Don't know
Prefer not to say

14 | Other borrowing

Q91. ASK ALL
SINGLE

Apart from your mortgage, do you have any homeowner loans secured on your property (sometimes called a second charge)?

1. Yes
2. No

Q92. ASK ALL WITH ANOTHER HOMEOWNER LOAN
SINGLE

What is the outstanding balance on your homeowner loan?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

Q93. ASK ALL WHO HAVE A HOMEOWNERS LOAN SECURED ON THEIR PROPERTY DROPDOWN LIST

And when do you expect that homeowner loan to be paid off?

This year (2022)
Next year (2023)
2024
2025
2026
2027
2028
2029
Etc until 2055
Don't know
Prefer not to say

Q94. ASK ALL WHO HAVE A HOMEOWNERS LOAN SECURED ON THEIR PROPERTY (Q91=1)
NUMERIC

What is the monthly repayment on that loan?

Less than £100
£100 - £200
£200 - £299
£300 – £399
£400 – £499
£500 – £599
£600 – £699
£700 – £799
£800 – £899
£900 – £999
£1,000 - £1,099
£1,100 - £1,199
£1,200 - £1,199
£1,300 - £1,399
£1,400 - £1,499
£1,500 - £1,599
£1,600 - £1,699
£1,700 - £1,799
£1,800 - £1,899
£1,900 - £1,999
Over £2,000
Don't know
Prefer not to say

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Q95. ASK ALL
SINGLE

Apart from your mortgage and any homeowner loans, do you have any other borrowing, for example personal loans, an outstanding balance on a credit card, hire purchase agreements?

Please exclude student loans

1. Yes
2. No

Q96. ASK ALL WHO HAVE ADDITIONAL DEBT (Q96=1)
SINGLE

What is the total amount of that debt? Is it

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don’t know
Prefer not to say

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15 | Overview and checking

Q97. ASK ALL
SINGLE
How often do you check that your plans for paying off your mortgage are on track to do so?

1. A few times a year (3+)
2. At least once a year (1-2)
3. Less often
4. Never
5. Don't know

Q98. ASK ALL
SINGLE
Has your mortgage provider been in touch with you in the last year to ask about your mortgage and how you intend to repay the mortgage?

1. Yes
2. No
3. Don't know

Q99. ASK ALL WHO HAVE BEEN CONTACTED BY THEIR MORTGAGE PROVIDER (Q98=1)
SINGLE
Have you taken any action as a result of that contact?

1. Yes
2. No
3. Don't know

Q100. ASK ALL WHO HAVE TAKEN ACTION (Q99=1)
MULTI
What action have you taken?

1. Reviewed how you will repay the loan
2. Changed repayment strategy /supplemented repayment strategy
3. Other (write in)
4. Nothing

Q101. ASK ALL
SINGLE
Coming back now to your mortgage, how confident are you that you are on track to be able to pay off your mortgage at the end of its term?

1. Very confident
2. Fairly confident
3. Not very confident
4. Not at all confident
5. Don't know

Q102. ASK ALL
SINGLE

With any interest-only mortgage there is a risk that you won't have sufficient funds to meet the full mortgage balance to be repaid. Do you expect to have any shortfall?

1. Yes
2. Possibly
3. No
4. Don't know

Q103. ASK ALL WHO WILL OR MAY HAVE SHORTFALL (Q102=1-2)
SINGLE

About how much do you think that shortfall will be?

Less than £1,000
£1,000 - £4,999
£5,000 - £9,999
£10,000 - £14,999
£15,000 - £19,999
£20,000 - £29,999
£30,000 - £39,999
£40,000 - £49,999
£50,000 - £59,999
£60,000 - £69,999
£70,000 - £79,999
£80,000 - £89,999
£90,000 - £99,999
£100,000 - £109,999
£110,000 - £119,999
£120,000 - £129,999
£130,000 - £139,999
£140,000 - £149,999
£150,000 - £159,999
£160,000 - £169,999
£170,000 - £179,999
£180,000 - £189,999
£190,000 - £199,999
£200,000 - £209,999
£210,000 - £219,999
£220,000 - £229,999
£230,000 - £239,999
£240,000 - £249,999
More than £250,000
Don't know
Prefer not to say

Q104. ASK ALL WHO WILL OR MAY HAVE SHORTFALL (Q103=1-2)
MULTI

If you do have a shortfall, how would you deal with that?

1. Cut back on spending
2. Use surplus disposable income
3. Borrow to cover/ take out a loan
4. Borrow from family and friends
5. Extend the mortgage
6. Use other savings not currently intended for the mortgage
7. Downsize/ sell the property
8. Sell other property
9. Take out a new mortgage/change type of mortgage/remortgage
10. Other (specify)
11. I don't know

Q105. ASK ALL WHO WILL OR MAY HAVE SHORTFALL (Q102=1-2)
SINGLE

Have you sought any advice or help to help manage this shortfall?

1. Yes
2. No
3. Don't know

Q106. ASK Q105=1
OPEN

What advice or help have you sought?

WRITE IN

16 | Demographics

INFO

Now, we have some questions to give us a profile of the kinds of people we interviewed for this survey.

Q107. ASK ALL
SINGLE

Which of the following best describes your attitude to borrowing and debt, including your mortgage?

1. Paying off debt, including your mortgage, is your top financial priority
2. You are keen to pay off debt, but that needs to be balanced against other
3. priorities
4. Paying off debt is less important than other commitments
5. Being in debt is just not an issue

Q108. ASK ALL
SINGLE

To what extent do you feel that keeping up with your domestic bills and credit commitments is a burden?

1. It is not a burden at all
2. It is somewhat of a burden
3. It is a heavy burden
4. Don't know

Q109. ASK ALL
SINGLE

Thinking about the next 12 months, how concerned are you about the impact of the cost of living crisis on your financial situation?

1. Very concerned
2. Concerned
3. A little concerned
4. Not at all concerned
5. Don't know / unsure

Q110. ASK ALL
SINGLE

What is your current marital status?

1. Married
2. Living with your partner
3. Single
4. Widowed
5. Separated
6. Divorced
7. In a registered civil partnership
8. Prefer not to say

Q111. ASK ALL
SINGLE

What is your working status?

1. Working full time (30 or more hours per week)
2. Working part time (8 – 29 hours per week)
3. Working part time (less than 8 hours a week)
4. Self-employed full-time (30 or more hours per week)
5. Self-employed part-time (less than 30 hours per week)
6. Working on a zero-hour contract / gig economy worker
7. Unemployed and looking for work
8. Unemployed and not looking for work
9. Retired
10. Semi-retired (drawing a pension or other income but still working)
11. Full time student
12. Permanently sick/ disabled
13. Temporarily sick (no job to go to)
14. Other [OPEN]

15. Don't know

Q112. ASK ALL
NUMERIC
How many people aged 16+ live in your home?

Q113. ASK ALL
NUMERIC
And how many children aged 15 or under live in your home

Q114. CONSENT ASK ALL
SINGLE
We would like to ask some questions that may be perceived as sensitive such as your ethnicity.

Providing information in response to these questions is entirely voluntary and you may withdraw your consent at any time.

The answers that you provide will be used only for market research analysis purposes. For more information on how your information will be processed and protected, please review Opinium's privacy policy [INSERT LINK]**.**

Do you consent to the collection of this information?

1. Yes, I consent
2. No, I do not consent

Q115. ASK IF CONSENT=1
SINGLE
Do you think of yourself as a member of any particular ethnic group?
If you feel uncomfortable answering this question, please feel free to select 'prefer not to say''.

White

1. English / Welsh / Scottish / Northern Irish / British
2. Irish
3. Gypsy or Irish Traveller
4. Any other White background

Mixed / Multiple ethnic groups

1. White and Black Caribbean
2. White and Black African
3. White and Asian
4. Any other Mixed / Multiple ethnic background

Asian / Asian British

1. Indian
2. Pakistani
3. Bangladeshi

4. Chinese
5. Any other Asian background

Black / African / Caribbean / Black British

1. African
2. Caribbean
3. Any other Black/African/Caribbean background

Other ethnic group

1. Arab
2. Any other ethnic group
3. Don't think of myself as any of these
4. Prefer not to say

Q116. ASK ALL
SINGLE

What is your annual pre-tax household income?

By 'household income' we mean the total income received from all sources, including wages earnt by you, your partner and/or any other earner in the household, bonuses, pension income, benefits or rents and before tax deductions.

Your data will be kept confidential and not passed on to any third parties.

1. Less than £5,000 a year or per annum (pa)
2. £5,000 to £9,999 pa
3. £10,000 to £14,999 pa
4. £15,000 to £19,999 pa
5. £20,000 to £29,999 pa
6. £30,000 to £39,999 pa
7. £40,000 to £49,999 pa
8. £50,000 to £59,999 pa
9. £60,000 to £69,999 pa
10. £70,000 to £99,999 pa
11. £100,000 to £149,999 pa
12. £150,000 to £249,999 pa
13. £250,000 or more pa
14. Don't know
15. Prefer not to say

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Q117. SOCIALGRADE ASK ALL
SINGLE

We would now like you to think about the chief income earner in your household, that is the person with the highest income. This maybe you or it might be someone else.

Which of the following groups does the chief income earner in your household belong to?

[If the chief income earner is retired with an occupational pension, please enter their former occupation. Please only enter 'retired' if the chief income earner is only receiving the state pension. If the chief income earner has been unemployed for a period of less than 6 months, please answer based on their previous occupation.]

1. Higher managerial/ professional/ administrative (e.g. established doctor, solicitor, board director in large organisation (200+ employees), top level civil servant/ public service employee, head teacher etc.)
2. Intermediate managerial/ professional/ administrative (e.g. newly qualified (under 3 years) doctor, solicitor, board director of small organisation, middle manager in large organisation, principal officer in civil service/ local government etc.
3. Supervisory or clerical/ junior managerial/ professional/ administrator (e.g. office worker, student doctor, foreman with 25+ employees, sales person, student teacher etc.)
4. Skilled manual worker (e.g. skilled bricklayer, carpenter, plumber, painter, bus/ ambulance driver, HGV driver, unqualified teaching assistant, pub/ bar worker etc.)
5. Semi-skilled or unskilled manual worker (e.g. manual jobs that require no special training or qualifications, apprentices to be skilled trades, caretaker, cleaner, nursery school assistant, park keeper, non-HGV driver, shop assistant etc.)
6. Student
7. Retired and living on state pension only
8. Unemployed for over 6 months or not working due to long term sickness

Q118. ASK ALL
WRITE IN

Thank you for all your answers in this survey.

As part of this survey, we are monitoring understanding of the questions that we have asked.

Please could you let us know if there were any questions or parts of this survey that you found difficult to answer:

WRITE IN

I did not find anything difficult

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List of lenders for Q7

OPEN BOOK:

Accord Mortgages Limited
AIB Group (UK) Plc
Aldermore Bank Plc
Bank of Ireland (UK) Plc
Bank of Scotland plc
Barclays Bank UK PLC
Bath Investment & Building Society
Belmont Green Finance Limited
Beverley Building Society
Birmingham Midshires (BM Solutions)
Bluestone Mortgages Limited
Bradford and Bingley
Buckinghamshire Building Society
Cambridge Building Society
Charter Court Financial Services Limited
Charter Mortgages Limited
Clydesdale Bank Plc
Coutts & Company
Coventry Building Society
Cumberland Building Society
Darlington Building Society
Derbyshire Home Loans Ltd
Dudley Building Society
Earl Shilton Building Society
Ecology Building Society
E-Mex Home Funding Limited
First Direct
Furness Building Society
GMAC
Godiva Mortgages Limited
Halifax
Handelsbanken plc
Hanley Economic Building Society
Harpenden Building Society
Hinckley and Rugby Building Society
HSBC UK Bank Plc
Imagine Mortgages Limited
Investec Bank PLC
ITL Mortgages Limited
Kensington Mortgage Company Limited
Leeds Building Society
Leek United Building Society
Lloyds Bank PLC

Loughborough Building Society
Manchester Building Society
Market Harborough Building Society
Marsden Building Society
Masthaven Bank Limited
Melton Mowbray Building Society
Metro Bank PLC
Monmouthshire Building Society
Morgan Stanley Bank International Limited
National Counties Building Society
National Westminster Bank Plc
Nationwide Building Society
Newbury Building Society
Newcastle Building Society
Northern Bank Limited
Norton Home Loans Limited
Nottingham Building Society
Paragon Bank Plc
Penrith Building Society
Post Office Money
Precise Mortgages
Preferred Mortgages Limited
Principality Building Society
Progressive Building Society
Royal Bank of Scotland
Saffron Building Society
Sainsbury's Bank Plc
Santander UK Plc
Scottish Building Society
Scottish Widows Bank
Shawbrook Bank Limited
Skipton Building Society
Suffolk Building Society
Swansea Building Society
Tandem Bank Limited
Teachers' Building Society
The Chorley and District Building Society
The Co-operative Bank Plc
The Governor and Company of the Bank of Ireland
The Mansfield Building Society
The Mortgage Business
The Mortgage Works (UK) Plc
The Royal Bank of Scotland International Limited
The Royal Bank of Scotland Plc
The Stafford Railway Building Society
Tipton and Coseley Building Society

Together Personal Finance Limited
TSB Bank plc
UCB Home Loans Corporation Ltd
UK Mortgage Lending Ltd
Ulster Bank
United Trust Bank Limited
Vernon Building Society
Vida Homeloans
Virgin Money
West Bromwich Building Society
West Bromwich Mortgage Company Limited
Whistletree
Yorkshire Bank Home Loans Limited
Yorkshire Building Society

CLOSED BOOK:

BCMGlobal Mortgage Services Limited
Capital Home Loans Limited
Cartmel Mortgages Limited
Central Homeloans Limited
Crocus Home Loans Ltd
Grasmere Mortgages Limited
Kendal Mortgages Limited
Landmark Mortgages Limited
Lindale Mortgages Limited
Mars Capital Finance Limited
Mortgage Agency Services Number Five Limited
Mortgage Agency Services Number Four Limited
Mortgage Agency Services Number Six Limited
Mortgage Agency Services Number Two Limited
Mortgage Express
Mortgages PLC
Northern Rock
NRAM Limited
Oakwood Homeloans Limited
OneSavings Bank Plc
Paratus AMC Limited
Pepper (UK) Limited
Pepper Money Limited
Platform Funding Ltd
Preferred Mortgages Limited

Rooftop Mortgages Limited
Secure Trust Bank Plc
Southern Pacific Mortgage Limited
Swift 1st Limited
The Mortgage Lender Limited
Topaz Finance Limited
Wave Lending Limited

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Appendix 3- Balance modelling approach

This appendix outlines the modelling process to estimate consumers' ability to pay off their interest-only mortgages at due date. There are four sections covering 1) data treatment; 2) macroeconomic assumptions; 3) overall modelling assumptions; 4) formula to compute balances of each contributing source and the final model.

Please refer to the questionnaire for question numbers and specific scales used.

Data treatment

- The sample retained in the calculations are anyone who intends to use at least one of the 12 sources in Q12, codes 1 through 12.
- Many of the questions are closed ended with each option on the scale presented as a price band, e.g. £1000 - £1,999. The mid-point is used as the value for each scale point, e.g. £1,499 is used for £1,000 - £1,999.
- The highest point on the scale is increased by 20%, e.g. more than £100,000 is converted to £120,000. The lowest point is reduced by 50%, e.g. Less than £50,000 is converted to £25,000.
- *Do not know* and *Prefer not to say* are replaced with the estimated median value among those who responded to the question.
- Among the *Do not know* and *Prefer not to say* respondents, their responses on the Increase/Decrease questions, e.g. Q22, are assumed to be "*stay the same*", as the Increase/Decrease questions are skipped among these respondents.
- On the mortgage due date question (Q3), missing data points are treated as follows:
    - *After 2055* is assumed to be year 2062 - a 40 year mortgage.
    - *Do not know* and *Prefer not to say* are replaced by median value - year 2030.

Macroeconomic assumptions

The following macroeconomic parameters are used to defined four scenarios in the report.

	Low	Central	High
Cash interest rate	0%	3%	6%
Equity return rate	0%	4%	8%
Inflation rate	1%	3%	5%
Property growth rate	-3%	1%	5%
Tax rate	0%	30%	30%

Overall modelling assumptions

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- Increase/decrease of savings/overpayment etc only takes place in the next year and then stays at that level thereafter. This affects ISA, Other savings, Investments, and Over-payment.
- There is no withdraw of ISA/Savings/Investments etc before mortgage due date.
- There is no transaction cost in selling homes, businesses or assets.
- Capital gain or income taxes have the same rate and do not have any tiered structure.

Calculations of each payment source

Notations for the following formula below:

n=Length of remaining mortgage (Q3); ^= the exponential operator; *=multiplication operator.

Payment source 1, ISA

ISA =(Current_ISA_savings+ additional ISA investments, appreciating at a constant interest rate/equity return rate for n years)* proportion allocated for mortgage

Cash_ISA_amount=(Q17_totalCashISAvalue*(1+Cash_interest_rate)^n+Q16_CashISAContribution*(1+Q23Q24_amount)* ((1+Cash_interest_rate)^(n+1)- (1+Cash_interest_rate)) /Cash_interest_rate) *Q18_cashISAProportion4Mortgage

Equity_ISA_amount=(Q20_totalStockISAvalue*(1+Equity_return_rate)^n+Q19_StockISAContribution*(1+Q23Q24_amount)* ((1+Equity_return_rate)^(n+1)- (1+Equity_return_rate)) /Equity_return_rate) *Q21 _StockISAProportion4Mortgage

Payment source 2, Other cash savings

OtherSavings_amount=(Current_total_savings+ additional savings, appreciating at a constant interest rate for n years)*(1-Tax_rate)* proportion allocated for mortgage

OtherSavings_amount=(Q27_currentTotal_othersavings*(1+Cash_interest_rate)^n+Q26_othersavings_lastyear*(1+Q30Q31_amount)* ((1+Cash_interest_rate)^(n+1)- (1+Cash_interest_rate)) /Cash_interest_rate) *(1-Tax_Rate)*Q28_OtherCashProp4mortgage

Payment source 3, Investments not in an ISA

Investment_amount=(Current_total_investments+additional investments, appreciating at a constant equity return rate for n years)*(1-Tax_rate)* proportion allocated for mortgage

Investment_amount=(Q35_CurrentTotal_investments*(1+Equity_return_rate)^n+Q34_investments_lastyear*(1+Q38Q39_amount)* ((1+Equity_return_rate)^(n+1)- (1+Equity_return_rate)) /Equity_return_rate) *(1-Tax_Rate)*Q36_InvestmentsProp4mortgage

Payment source 4, A pension (lump sum)

Pension_amount=(25% tax free +75% taxable at Tax_rate)* proportion allocated for mortgage

Pension_amount=(Q44_TotalPension*25%+ Q44_TotalPension*75%* (1-Tax_Rate)) * Q45_PensionProp4Mortgage

Payment source 5, An endowment policy

Endowment_amount=Total Endowment at mortgage due date * proportion allocated for mortgage

Endowment_amount =Q50_TotalEndowments*Q52_EndowmentProp4mortgage

Payment source 6, Overpayment

Overpayment_amount=Current over payment amount, at a fixed increased/decreased level accumulated for n years

Overpayment_amount=Q64_current_overpayment*(1+Q66Q67_amount)*n

Payment source 7 & 8, Selling home

HouseValue_amount= Current house value, appreciating at a constant growth rate for n years

House value in its entirety is assumed to be used for mortgage payment.

HouseValue_amount=Q5_housevalue*(1+growth_rate)^n

Payment source 9, Selling other property

OtherPropertyValue_amount= Other property value, appreciating at a constant growth rate for n years) *(1-Tax_rate)* proportion allocated for mortgage

OtherProperty_amount=Q74_otherPropertyworth*(1+growth_rate)^n*(1-Tax_Rate)*Q79_OtherPropertyProp4mortgage

Payment source 10, Selling business

Business_amount= Business valued at mortgage due date *(1-Tax_rate)* proportion allocated for mortgage

Business_amount=Q83_ValueofBusiness*(1-Tax_Rate)*Q84_BusineeProp4mortgage

Payment source 11, Selling assets

Business_amount=(Current asset value, appreciating at a constant inflation rate for n years) *(1-Tax_rate)* proportion allocated for mortgage

Asset_amount=Q86_CurrentAssetValue*(1+Inflation_Rate)^n*(1-Tax_Rate)*Q87_AssetProp4mortgage

Payment source 12, Inherence

Inheritance_amount=Anticipated inheritance at mortgage due date* proportion allocated for mortgage

There is no one in the data reporting inheritance above the taxable threshold. Taxes therefore do not appear in the above calculation.

Inheritance_amount=Q89_inheritance*Q90_InheritanceProp4mortgage

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Final Model

One meets mortgage payment if total projected payment sources as calculated above is greater than mortgage balance (Q2).