3rd March 2020

Savanta: ComRes

Mortgage switching research

Make better decisions

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About Savanta ComRes

Savanta ComRes provides specialist research and insight into reputation management, public policy and communications. It is a founding member of the British Polling Council, and all researchers working on this project are UK Market Research Society members, as such, it is committed to the highest standards of research practice. In July 2019, Savanta ComRes joined Savanta, previously known as ComRes, it has vast experience of research and consulting with clients in regulated industries on policy and communication research.

This research was commissioned by the Financial Conduct Authority.

For further information about Savanta ComRes, this research or any other research requirements please contact info@comresglobal.com.

Contents

Executive summary

This research aims to understand why a minority of mortgage holders stay on their reversion rate, when in many cases it would be financially beneficial to switch. It also looks to identify the barriers in the switching process and what may encourage switching in the future.

The research helped outline defining characteristics of non-switchers, but also that these individuals are not a homogenous group. Each non-switcher faces a complex set of barriers to switching, which is rooted in their individual lived experience. Indeed, the range of barriers faced by non-switchers is equal in number only to the number of permutations of mortgage options, lenders, and terms faced by non-switchers.

This report will unpick the broad characteristics of non-switchers, and the themes within the differences.

Who are non-switchers?

Non-switchers tend to be older than mortgage holders in general (23% are aged 55-64 compared to 12% of mortgage holders in general). Amongst non-switchers there is an important demographic difference by gender. Male non-switchers are more likely to be older (64% of those aged 55 and over are male, with just 36% being female) and comparatively wealthy (60% of those with an annual household income of £70,000+ are male, and 40% are female), compared to female non-switchers. These demographics are important as the two groups (older men and younger women) are often at different life stages, impacting the way they think and behave, and consequently, the barriers they face.

The vast majority (88%) of non-switchers feel confident about managing their money and financial matters in general. Indeed, this audience are nearly three times as likely to contribute to savings each month than feel like they don't have enough time to plan their finances (57% vs. 20%). Whilst women are less likely to feel *very* confident in managing their finances (24% say so vs. 34% of men), and a quarter (24%) of younger non-switchers say they don't have time to plan their finances, the vast majority feel capable when it comes to household finances.

However, non-switchers' understanding of what capable means in relation to household finances can be limited. Often non-switchers are more confident in their abilities to make monthly payments and know how much those monthly payments are, rather than in trying to proactively reduce those costs.

Reflecting high levels of general financial confidence, non-switchers are more likely to say they are knowledgeable about mortgage matters than their family, friends and homeowners in general (85% vs. 69%, 66%, and 63% respectively). Men are particularly likely to feel confident with a quarter (26%) saying they are *very* confident. This underlines a theme of the findings that non-switchers are likely to trust themselves in relation to mortgages. Many say they do trust Money Saving Expert (Martin Lewis) (93%), independent organisations or regulators and comparison websites (both 92%) for information and advice about mortgages. Whilst family and friends are not seen as the best source of information for trusted advice on mortgages, they can still play an important role in the switching process. For example, discussing matters related to mortgages with family and friends could act as a prompt for non-switchers to become more engaged in their own mortgage.

As one may expect, non-switchers have brand loyalty for a range of service providers. Two in five (40%) say that when they find a financial provider they trust they tend to stick with them.

Reasons for loyalty include experience of good customer service, or even the absence of issues. Indeed, some non-switchers are risk averse when it comes to changing providers, preferring to stay with providers they know rather than test ones they do not have first-hand experience of.

However, many have switched providers in the past for products other than mortgages. Approaching half (44%) of non-switchers say they regularly switch providers for different products and services. Indeed, two in five have switched their home insurance or energy deal providers within the last 12 months (39% and 38% respectively). Non-switchers are less likely to switch financial service products, often due to brand loyalty, and a perception that the risks of switching are higher should something go wrong for financial service products.

When looking for a mortgage initially, non-switchers used personal networks, contacted lenders and, if the mortgage was taken out more recently, online comparison websites.

Two in five (43%) non-switchers used a broker when taking out their mortgage. This figure rises to half amongst younger and female non-switchers (49% and 48% respectively). Those that did not use a broker feel uncomfortable with a perceived conflict of interest with the intermediary working on commission. Those that did use a broker feel doing so was beneficial as it reduced the length of time spent exploring mortgage deals, as well as the cognitive load used in exploring those deals.

An additional key finding of the research is the importance of monthly payments. Three quarters (75%) of non-switchers say that monthly repayments were among the most important factors when choosing a mortgage deal, reconfirming this group's focus on monthly outgoings. Whilst monthly payments are important for all demographics, older non-switchers are less likely than other age groups to consider monthly payments important (65% of those aged 55 and over say so, compared with 81% of 45-54 year olds and 76% of those aged 18-44) – instead these older non-switchers consider the ease of applying for a mortgage to be important (40% of those aged 55 and over, compared with 29% of those aged 18-44).

For many non-switchers communications about their mortgage does not have cut through. Just two in five (37%) non-switchers recall communication from their current lender about changes to their interest rate, and only one in five (20%) recall being contacted about switching or renewing their mortgage deal. Further, if communications are received, frequently no action is taken as a result.

Most non-switchers do not have vulnerable characteristics, however, for a minority these characteristics do impact their ability to switch. Most often, these characteristics are poor numeracy skills, as well as experiencing life events, such as the breakdown of a relationship.

Why do some people not switch mortgages?

As mentioned previously, each non-switcher faces a complex set of barriers to switching which is rooted in their individual lived experience. However, there are three key points that summarise the barriers non-switchers face:

- Non-switchers are typically content with their mortgage deal, and many are loyal to their current lender,
- They typically overestimate the difficulties of switching,
- And underestimate the benefits of doing so.

Expectations of the switching process

Three in four say they are aware that they can switch either internally or externally (75% and 74% respectively). Those not reporting to be aware of switching are more likely to be unsure whether they can switch rather than being completely unfamiliar with the process.

However, non-switchers' understanding of the actual switching process is limited. For example, some are unsure whether changing their mortgage would incur a penalty. Indeed, some are confused about whether they have switched their mortgage in the past or not.

Despite this limited knowledge, many expect financial rewards from switching. On average, non-switchers expect to save £98.00 per month. However, half (47%) of non-switchers say that the benefits of switching do not outweigh the risks. On average, non-switchers say that a monthly saving of £120.00 would be required to encourage them to switch. This figure is higher amongst those who say that lack of time is a barrier to switching (£179.00), those unlikely to switch internally in the future (£169.00) and men (£156.00).

When considering switching their mortgage, getting the best deal for them personally was the most important consideration for 62% of the respondents, followed by saving a significant amount of money and avoiding fees (55% and 53%). Whilst this again underlines the importance of financial incentives, it also points to the importance of the individual at the heart of the interaction. Non-switchers want to save money, but that is not the only consideration; they also want to feel that lenders take into account their personal situation,

Given considerations around loyalty and risk aversion, non-switchers are more likely to switch internally than externally. Close to two in three (63%) say they are likely to switch to a new mortgage deal with the same lender in the future, compared to two in five (40%) that say the same of a different mortgage lender. Indeed, half (53%) of non-switchers say that trust in their mortgage providers is a barrier to switching mortgages. Many have multiple products with their current lender and have been their customer for an extended period of time. This helps to make them the default option for financial service products.

Some non-switchers believe this brand loyalty will be beneficial to them in the long term. They feel that the longer they stay with a financial service provider, the more evidence that provider will have that they are a customer worth keeping. Non-switchers feel this will lead to better deals on financial products, as they assume the current provider will want to incentivise loyalty.

Non-switchers are more likely to say they will switch their mortgage if they have received communication from their lender about switching. Three quarters (77%) of those who have been contacted by their lender about switching their mortgage say they are likely to switch in the future, compared with half (49%) of those who have received no communication from their mortgage lender. This underlines the importance of lenders in the switching process. However, only those engaged are likely to see and react to communications from lenders, and non-switchers' preferences for contact from lenders (email and letters) cast further doubt on the effectiveness of communication from lenders – particularly with those disengaged with their mortgage.

Many want to rely on their own judgement and conduct their own research into the best mortgage deal. However, evidence suggests that non-switchers are unlikely to do this. Non-switchers are likely to be receptive to contact from their current lender. This is because they have higher trust in their current lender when compared to other organisations.

Barriers by phase of the switching process

Non-switchers face barriers at each stage of the switching journey, and these barriers differ at each stage. Indeed, what stops individuals from considering switching is often different from what causes them to drop out of the process after contacting a lender.

There are four key phases on the journey to switching:

- Never having considered switching,
- Having decided not to switch,
- Planning on switching but having not done so yet,
- And having taken steps to switch but dropped out of the process.

Whilst most are aware of the switching process, two in five (37%) non-switchers have never considered switching with their current lender, and half (47%) have never considered switching to a new lender. This means that, most often, non-switchers say they have never considered switching. Whilst some say they are lacking important information about the switching process that would help them make the decision to switch, for example, an understanding of how long the process would take, most face barriers relating to attitudes towards mortgages rather than actual knowledge gaps.

Many have not considered switching because they are content with their current mortgage deal; nearly three in four (72%) say that they have not switched because they are happy with their current deal. Also, it is worth recalling that just two in five (37%) say they received communication from their lender about rises in interest rates, and therefore may be unaware of changes to their current mortgage deal. Finally, it is noteworthy that whilst switchers frequently enter their mortgage with the view to switch before their introductory rate ends, non-switchers do not necessarily enter mortgages with the same mindset.

A third (32%) of non-switchers have actively taken the decision not to switch their mortgage deal. Often, this is because they believe they are on the best deal available or that, because of their current life situation, switching would not be right for them at this time. Others have taken the decision not to switch because they are concerned that they would be rejected by their lenders and that this could impact their credit rating. A minority say the current economic or political environment is not conducive to switching.

A quarter (23%) plan on switching with their current provider but have not done so yet – falling to 16% amongst those planning on switching externally. Those that plan on switching but have not done so yet most often say that time pressures, the effort of administration and concerns about the risks of switching have caused the delay. In addition to these, non-switchers also tend to believe that switching will take longer than they consider acceptable and some are sceptical of the benefits.

Just one in ten (9%) have begun the process of switching with their current provider and stopped short of doing so – falling to one in twenty (5%) amongst those contacting external lenders. This highlights how few people drop out of the process of switching once they engage with it. Those dropping out of the process often feel that the amount of information contained within the various permutations of deals can be overwhelming. This is particularly noteworthy considering that non-switchers also believe the terminology used is overly complex. Finally, when engaging with the switching process many are put off by what they consider to be high fees, particularly as these fees help to add confusion to whether they would save a significant amount of money from switching. Ultimately, this adds to distrust in financial service providers, as non-switchers feel that the process is intentionally difficult to stop people from switching.

Considering these barriers, any intervention would have to:

- Engage non-switchers in the switching process,
- Set out the case for switching,
- And give individuals enough of the right information to make the decision to switch.

Possible policy options

This research tested a number of behavioural and demand side policy interventions, recognising the success these have had in changing behaviour in relation to financial services. Through testing these options non-switchers expressed a clear preference for an estimate from their current mortgage lender of the amount that they could save if switching to a new mortgage deal with their current provider, with 71% saying this would encourage them to switch. It is unclear whether giving this saving as a monthly or annual amount would be more impactful on switching behaviour. Mortgage non-switchers were less likely to say that finding out how much they could save if switching to another mortgage lender would encourage them to switch, with 57% saying so. Despite this, these two interventions were most often seen as encouraging non-switchers to switch.

Comparatively few thought that they would be encouraged to switch by the other tested options, such as - a service that took much of the work of switching out the process (35%), a guarantee on the time it takes to switch (35%), being automatically booked into an appointment about switching before entering the reversion rate (24%) or an information campaign (19%).

From this, we can discern a clear set of preferences when it comes to an intervention to encourage non-switchers to switch. In any intervention, non-switchers would like to be:

- Contacted and given information, but not mandated.
- Contacted by their current lender, and in many cases, switch to their current lender.
- Provided a clear financial incentive to switch.

However, any intervention will have to balance non-switchers' preference for a reduction in cognitive load and addressing their concerns about the switching process. Furthermore, as many non-switchers are already aware that they can benefit financially from switching and feel that this incentive is not enough to encourage them to switch, other perceived barriers will need to be addressed in order to encourage them to switch. This could mean addressing more than the clear financial incentive to switch within the intervention.

Given this, we believe intervention should be focused on the three key points that summarise the barriers non-switchers face:

- Non-switchers are typically content with their mortgage deal, and many are loyal to their current lender,
- They typically overestimate the difficulties of switching,
- And underestimate the benefits of doing so.

In order to provide a clear benefit to switching and overcome contentedness, we feel that an intervention that provides non-switchers with an estimate from their current lender of the amount they could save if they switched internally would be the most effective solution. In terms of contacting the non-switchers, a combination of emails, letters and also phone calls from their current lender is most likely to be effective.

In order to address non-switchers' overestimation of the difficulties of switching, we believe that lenders could provide an estimate of the amount of time it would take to switch internally. This will serve as a proxy for the ease of the process, and also reassure those that say they lack time to switch.

It is important to note that, although these interventions should encourage non-switchers to change mortgage deal, this is particularly the case amongst those already likely to switch. These interventions would most likely still leave a number of non-switchers on their reversion rate.

Background and objectives

Within its overarching mission to protect consumers' interests in the financial services industry, one of the FCA's central regulatory objectives is to improve how markets operate.

Positively, the FCA's Mortgage Market Study found that, in terms of switching, the mortgage market works well for the majority of homeowners: over three quarters of borrowers switch their mortgage within six months of the end of an introductory deal. However, mortgages, alongside other regulated services, have come under increasing scrutiny for the 'loyalty penalty', where suppliers charge existing customers higher prices than new customers, based on the expectation that they are unlikely to switch to get a better deal.

Indeed, the FCA estimates that around 800,000 consumers (around 10% of mortgage holders) do not switch when they would financially benefit from doing so. Although there are many reasons for not switching, the price of not switching is high. The FCA estimates that these individuals miss out on an average saving of £1,000 per year over the first two years of switching, and £100 a year thereafter. This is based on switching to a new 2-year fixed mortgage during their introductory period.

In order to fully understand why some mortgage holders do not switch, the FCA commissioned Savanta ComRes to:

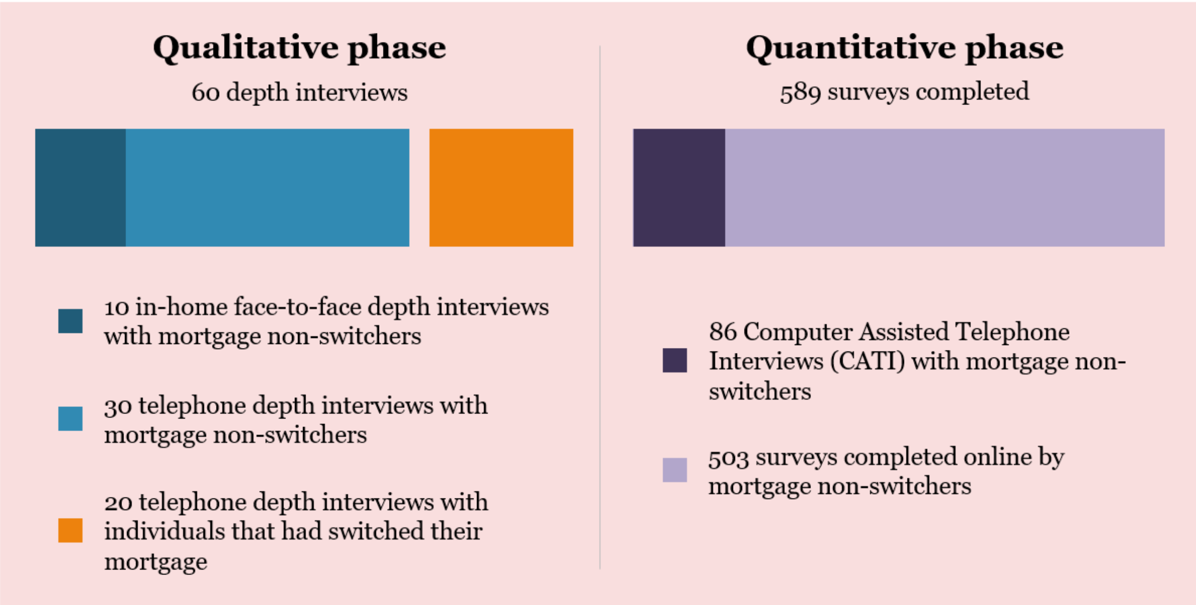
- Better understand which consumers do not switch their mortgage,
- Explore the barriers these consumers experience,
- Identify interventions that could encourage switching.

Ultimately this research will inform the FCA's decision over whether an intervention to encourage and support mortgage switching is required, and, if so, what forms are most appropriate.

Methodology

Overview of methodology

To fully understand why some mortgage holders that are on their reversion rate have not switched their deal, following discussions on the best approach with the FCA, Savanta ComRes designed a multi-phase, multi-mode research programme. This programme of research began with a qualitative phase, followed by a quantitative phase.



In both qualitative and quantitative phases of the research Savanta ComRes used a screener to ensure that respondents included in the analysis were appropriate. For more detail on the screening process please see Appendix 1.

Qualitative interviews

Savanta ComRes conducted 60 depth interviews, 40 amongst people that had not switched their mortgage, and 20 amongst people that had switched their mortgage. Qualitative depth interviews were conducted between the 12th August and 25th September 2019.

Qualitative interviews were exploratory in nature in order to capture unanticipated insights into the lives, attitudes and behaviours of non-switchers. Telephone and in-home interviews lasted for 45 minutes. Interviews explored non-switchers lifestyle and background, their approach to managing household finances, switching behaviour in relation to non-mortgage products, experiences with the mortgage market, as well as attitudes and expectations of the switching process, including perceived barriers and a decision-making exercise. The full discussion guide can be found in the technical report. Throughout, respondents were encouraged to relay attitudes and behaviours in a safe, anonymous and confidential context.

Interviews with recent mortgage switchers were included as a control group, to provide insight into the switching process from people who have already completed the process. Including both non-switchers and switchers in the qualitative phase allowed us to compare groups and therefore identify factors which may have encouraged switching. In this design, the control group (those that had switched their mortgage) and the target group (those that had not switched their mortgage) were asked very similar questions, in order to isolate the factors that had contributed to switching behaviour.

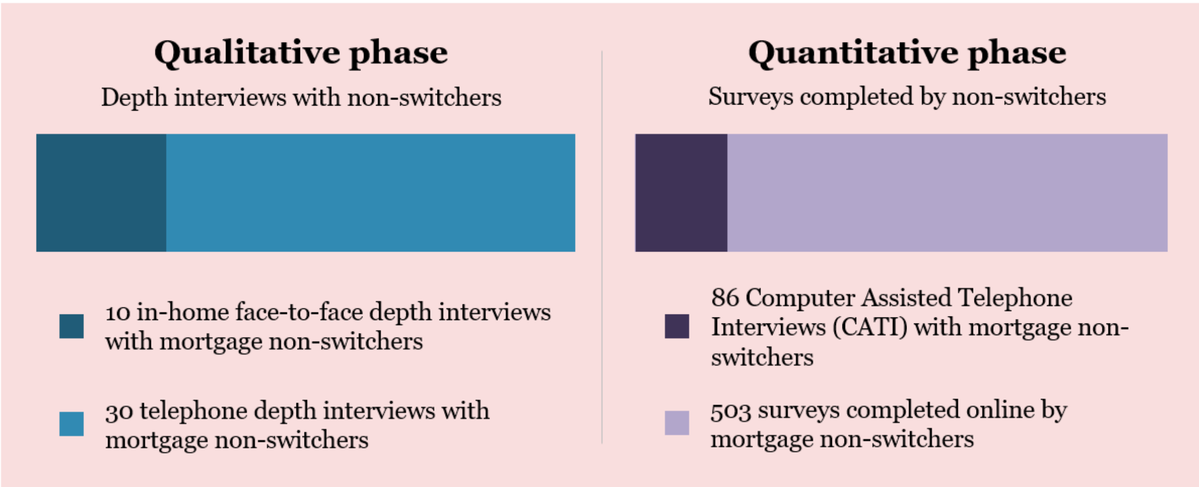
Quantitative surveys

Savanta ComRes conducted a survey amongst 589 non-switchers, resulting in a margin of error of +/- 4.04%. Of the 589 non-switchers, 86 surveys were completed using Computer Assisted Telephone Interviewing, and 503 were completed online. Quantitative surveys were completed between 2nd October and 12th November 2019.

Findings from the qualitative phase were integrated into the quantitative survey in order to test the validity of the insights gleaned from the qualitative phase. As a result, the quantitative survey explored similar topics and themes to the qualitative discussion guide. A full version of the questionnaire can be found in the technical report (available on request). The online survey lasted 10 minutes and the CATI survey lasted 12 minutes.

Multi-mode approach

For both phases of the research, Savanta ComRes used a multi-mode approach. In the qualitative phase, face-to-face interviews were combined with interviews over the telephone. For the quantitative phase CATI interviews were combined with interviews completed online.



This approach was used in order to ensure that research was as inclusive as possible. Using face-to-face and telephone interviews during the qualitative phase ensured that the voice of those unlikely to take part in telephone interviews, or with vulnerable characteristics were included in the research. Combining a CATI and online approach ensured that those less likely to be represented on online panels, for example those without a connection to broadband, are included in the research.

Utilising an inclusive approach was particularly important for this research. Many people find it difficult to talk about financial services. As this research explored the technical subject of switching mortgages, accessibility and inclusivity were an integral part of the research design.

Behavioural and attitudinal analysis

Savanta ComRes' recognises that behavioural research has shown that humans can be poor at rationalising the decisions we make, particularly in relation to financial services, and where behaviour runs counter to economic self-interest. We therefore included two techniques which aimed to go beyond reported attitudes or behaviour to understand latent attitudes and observable behaviour. These techniques were a Key Drivers Analysis (KDA) and a Decision-Making Exercise. Whilst each interview – in qualitative and quantitative stage – ended with the Decision-Making Exercise, the Key Driver Analysis was only conducted on the quantitative data.

Key Drivers Analysis (KDA)

A statistical approach that explores latent correlations within data to:

- **Identify barriers to switching** which cannot be seen through data tables or charts alone
- **Simplifies the data**, clearly showing the factors that have the greatest impact on switching
- Shows the relative impact of each factor, offering a **clear priority list**

Decision-Making Exercise

A behavioral tool that aims to recreate aspects of a consumer decision, in order to:

- Allow the researcher to **capture consumer behavior**
- Isolate behavior from externalities, including help from others in switching, in order to **test cognition**
- Explore at **which points of the switching process respondents face barriers**

Key Driver Analysis (KDA) is an advanced statistical analysis technique which provides insight into what drives attitudes towards a certain issue. In this case, the barriers to switching mortgages. A KDA identifies relationships between factors which cannot be seen through data tables or charts alone.

Every interview – in both the quantitative and qualitative stage – amongst switchers and non-switchers concluded with a Decision-Making Exercise where respondents were presented with a mortgage switching scenario and different mortgage deals drawn directly from a price comparison website. This provided a prompt for respondents to weigh up cost, potential savings, complexity of process and time required in order to understand what information is challenging or missing, what trade-offs these consumers are making, and any other factors that may be influencing their decision to switch.

Findings from both will be integrated throughout the report.

Non-switchers and switchers

Throughout the report, we will refer to those that have not switched mortgages, but could benefit from switching as 'non-switchers'. More specifically these are people who:

- Currently have a mortgage,
- Have been on their reversion rate for longer than 12 months,
- Have not missed the deadline for any credit commitments in the last 12 months
- Have longer than 2 years, and greater than £10,000 left on their mortgage
- Are the decision makers in relation to their mortgage.

It is important to note that respondents in both the qualitative and quantitative survey may not financially benefit from switching. This is because, in order to assess whether respondents would financially benefit from switching, we would have to ask several detailed and technical questions, which this audience are unlikely to know.

Findings

Who are mortgage non-switchers?

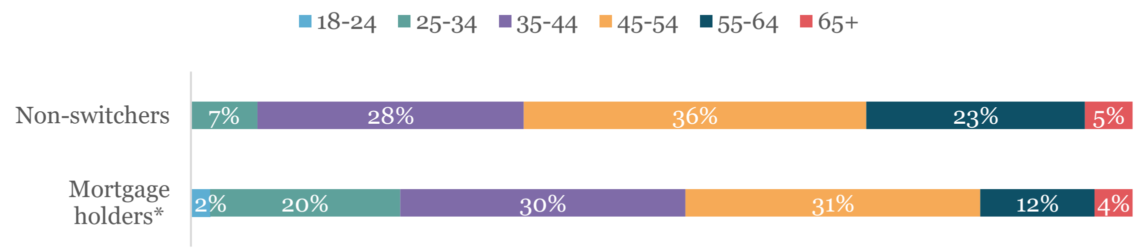
Understanding who non-switchers are is essential to understanding the barriers they face in switching their mortgage. The following section explores the trends and themes in non-switchers demographics, attitudes and behaviours.

Demographics

When comparing non-switchers to the average mortgage holder using the 2017 Financial Lives survey, we find that non-switchers tend to be older than the average mortgage holder. For example, where the Financial Lives survey found that 20% of mortgage holders are aged 18-24 this compares to 7% of non-switchers. Similarly, where 12% of mortgage holders are aged 55-64, 23% of non-switchers fall into the same age category.

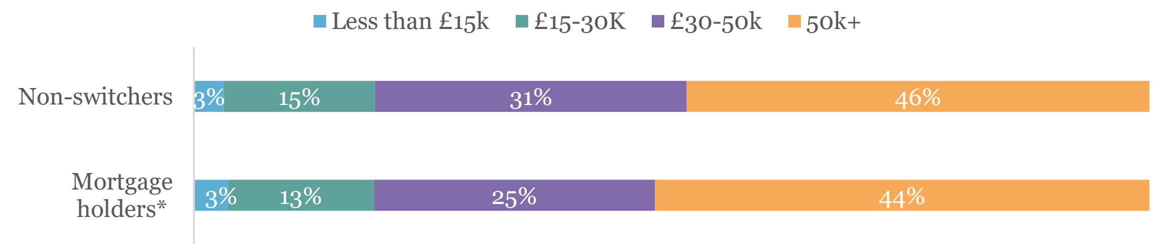
The proportion of male and female non-switchers was similar to that of mortgage holders, and indeed the wider UK population (51% male and 49% female). The income profile of mortgage holders and non-switchers is also similar (46% of non-switchers have an annual income of over £50k compared to 44% of mortgage holders in general).

Figure 1: Age comparison



*Q33. Which of the following age groups do you belong to? Base: All non-switchers (n=589). *Data taken from the 2017 Financial Lives Survey.*

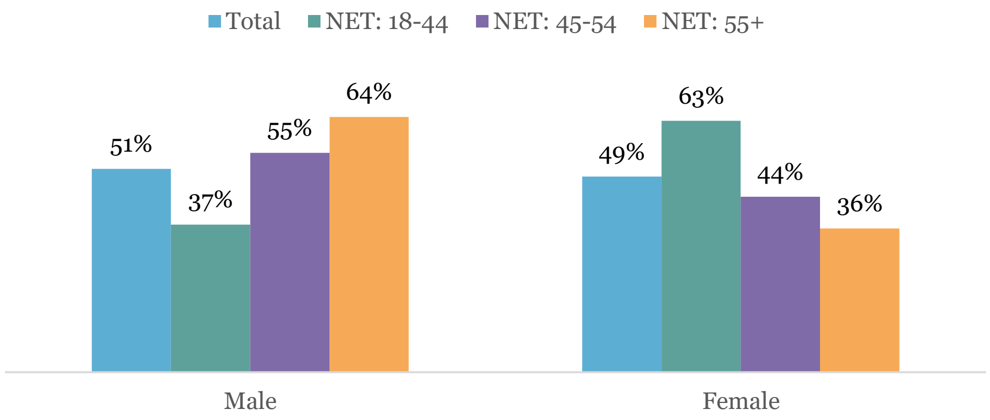
Figure 2: Income comparison



*Q35. Which of the following best describes your total household income over the last 12 months, before tax and housing costs? Base: All non-switchers (n=589). *Data taken from the 2017 Financial Lives Survey.*

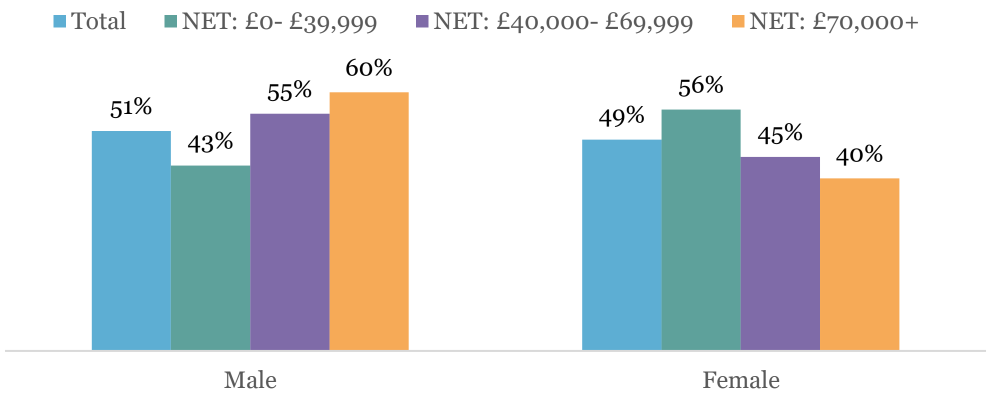
Whilst there are no differences in gender between the wider mortgage holding population, and non-switchers, there are important trends by gender within non-switchers. Female non-switchers tend to be younger, male non-switchers tend to be older. Almost two thirds (63%) of 18-44 year old non-switchers are female, just over a third (37%) are male. The opposite applies for those aged over 55, where 64% are male and 36% are female. A similar trend can be seen between gender and income. Male non-switchers are more likely to have a higher income than female non-switchers. As an example, three in five (60%) men have a household income of greater than £70,000, compared to two in five (40%) women.

Figure 3: Gender and age



Q32. We have some general questions about you. Firstly, how do you identify? Q33. Which of the following age groups do you belong to? Base: All male non-switchers (n=301); all female non-switchers (n=287).

Figure 4: Gender and income



Q32. We have some general questions about you. Firstly, how do you identify? Q35. Which of the following best describes your total household income over the last 12 months, before tax and housing costs? Base: All male non-switchers (n=301); all female non-switchers (n=287).

These demographic differences are often reflected in non-switchers' lived experiences, as many women who were interviewed during the research were at a different stage of life to their male counterparts. These demographic trends reflect our findings that people experience different barriers at different times in their life and that these barriers are closely related to their lived experiences. For example, depth interviews indicated that women with new or increased childcare responsibilities feel that lack of time is a key barrier to switching their mortgage, whereas older more wealthy male non-switchers feel that lack of financial incentive to switch is a current barrier.

- *"I had one [child] and one on the way when I took out the initial mortgage, but, obviously, two more have come along since then. Obviously, you're working and life's just a lot busier than it was back then, you know. I've got double the amount of kids to do stuff with and take to clubs and things like that." Non-switcher (F, 18-44)*

- *"I [just] don't have this desire to change [my mortgage]. It's ticking away. It's now a third of the amount of money that I borrowed originally. It's not a big deal. It used to be a lot of money to me when I was thirty - it was a significant chunk of my* *salary. But it's not now…So, £20 here or there doesn't make a difference. At this point in my life and at this point in the mortgage, it's really not that important. I just take it for what it is. What's more important is paying for the accommodation of one of my kids in halls of residence at the uni. Now that's really expensive, [and] you do a lot of shopping around trying to sort that out." Non-switcher (M, 45-54)*

Regardless of these demographic differences, many non-switchers – regardless of age – point to having busy lives including full time work, children and hobbies. Indeed, for most – except those moments of clear financial crisis or opportunity – managing finances was something to be done with time left over from a typically full and rich life.

- *"I feel like my own life is way too busy with my day to day life, plus unexpected things that happen, and I feel like that's kind of, it just puts me off, because it just seems too hard." Non-switcher (F, 18-44)*

- *"…quite busy going to work and then coming home and doing bits and bobs at home, I think it's the time. So if I had more time, I'd put time aside to do it." Non-switcher (M, 18-34)*

On average, non-switchers have been on their reversion rate for just over 9 years. Three in ten (30%) non-switchers have been on a reversion rate for between 11-20 years and 5% have been on that rate for greater than 20. Men are likely to have been on their reversion rate for slightly longer than women (just under 10 years for men compared to just under 9 years for women).

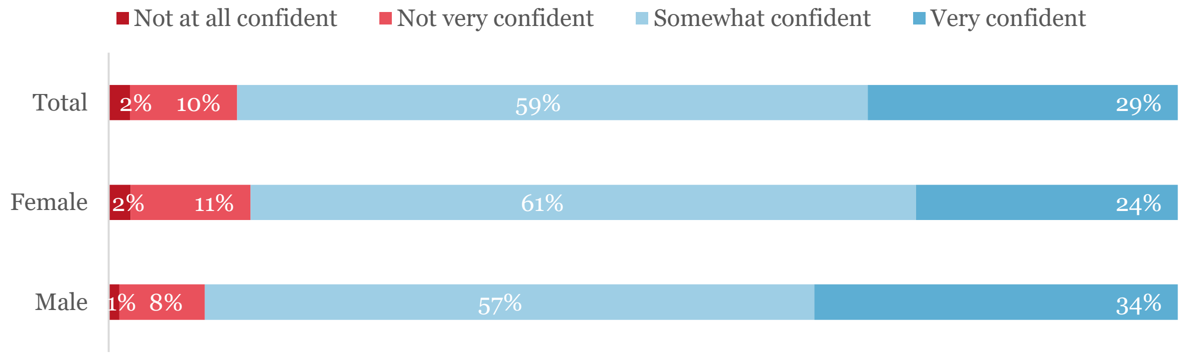
Those with a smaller mortgage are more likely than those with a larger mortgage to have been on their reversion rate for longer. Those with a mortgage value of over £150,000 have been on their reversion rate for an average of just under 7 years, compared to those with a mortgage value of less than £75,000 who have, on average, been on their reversion rate for just over 12 years.

The majority of non-switchers (69%) were on a fixed rate mortgage but are now on a reversion rate, three in ten (27%) are on a tracker mortgage, and 4% are on a discount mortgage.

Attitudes towards finances in general

A majority of mortgage non-switchers feel confident about managing their money and financial matters, with nine in ten (88%) saying that they are generally at least somewhat confident in this regard. Male non-switchers are more likely than their female counterparts to say that they feel very confident about managing their money and financial matters, with a third (34%) of men saying this compared to a quarter (24%) of women. Regardless of this difference, both male and female non-switchers tend to see themselves as confident and capable when it comes to managing money.

Figure 5: Confidence in managing money and financial matters



Q9. Generally speaking, how do you feel about managing your money and financial matters? Base: All non-switchers (n=589); all male non-switchers (n=301); all female non-switchers (n=287).

However, non-switchers' understanding of what it means to be confident in managing financial matters can be limited. For example, when asked how non-switchers manage their finances, they most often signal their success in terms of not missing monthly payments or knowing their monthly fixed payments for household bills. Their perceptions of what it means to be financially capable often relate to monitoring finances closely, rather than proactively reducing their monthly payments.

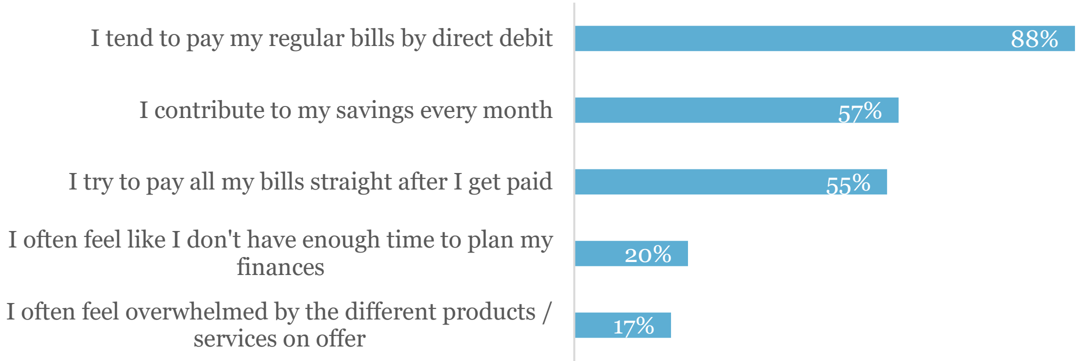
- *"[I feel] fine [about managing household finances], no problems. We have a joint account that all our bills come out of, so I know exactly what comes out, what we have." Non-switcher (F, 18-44)*

- *"We know the ins and outs of our joint bank account and know how much we currently put in extra [every] month for if something cropped up, but we keep a regular eye on that." Non-switcher (F, 18-44)*

- *"I don't think I'm doing too bad now, over the last few years, so I'd say confident enough [financially]… I'm never in debt or anything like that, so I'm sure I'm better off than a lot of people." Non-switcher (M, 45-54)*

Many non-switchers do not exhibit behaviour that indicates low financial capability. Non-switchers are more likely to contribute to savings each month (57%), than to feel that they do not have enough time to plan their finances (20%). Indeed, just one in five (17%) say that they feel overwhelmed by the different products or services on offer. However, this is higher amongst some demographics. Those aged 18-44 are more likely than those aged 55 and over to say that they often feel like they don't have enough time to plan their finances (24% vs. 13%) or that they often feel overwhelmed by the different products or services on offer (24% vs. 11%). Similarly, female mortgage non-switchers are more likely than their male counterparts to say that they often feel overwhelmed by the different products or services on offer (22% vs. 13%). As a comparison, men are more likely to say they contribute to their savings each month (61% compared to 52% of women).

Figure 6: Approach towards household finances



Q10. And thinking about your household finances, which of the following apply to you? Base: All non-switchers (n=589).

When it comes to attitudes towards financial service providers, non-switchers tend to be sceptical of the motivations of banks and other providers, but they also tend to form trusted – or at least pragmatic – ties to particular institutions over long periods of time. When thinking about trust in financial service providers, many recall the financial crisis and believe that, often, banks in general are more likely to operate in their own interests than those of their customers. However, their attitudes towards their own provider tend to be much more favourable. Many say their particular lender can be trusted, as they remember experiences of good customer service, or in some cases, absence of poor service.

- *"In 2008 there was a lot of trust in the financial institutions. What we've found since 2008 is that trust might have been misplaced, and now even their guidelines have been tightened up. We were quite happy to go along with all of the stuff that's now featured in PPI claims, that has come out since then, because we trusted the banks were looking after our interests, but it transpires that maybe that wasn't the case. So, my situation, my trust in the bank has changed since 2008, I'm a lot more sceptical of financial institutions, and I'm a lot more aware of where they might be trying to make money." Non-switcher (M, 55+)*

- *"I've been with [MORTGAGE LENDER] for a long time and I'm happy with them." Non-switcher (F, 45-54)*

The impact of networks

In general, people are influenced by the networks they operate in, be they personal, familial, or more professionalised networks of information and advice. Non-switchers are no exception. Whilst, in general, non-switchers tend to feel uncomfortable discussing their finances, and tend to be disengaged in matters relating to their mortgage, they often have discussed their mortgage with friends and family in the past. Most often, this discussion occurred when they initially looked into taking out their current mortgage. Indeed, some non-switchers recall their friends and family discussing finances in general, and switching in particular, more recently than taking out their current mortgage – though this is often not a conversation non-switchers actively engage in. More widely, often non-switchers say they are familiar with sources of advice about mortgages, and know where they would turn if they wanted to find out more.

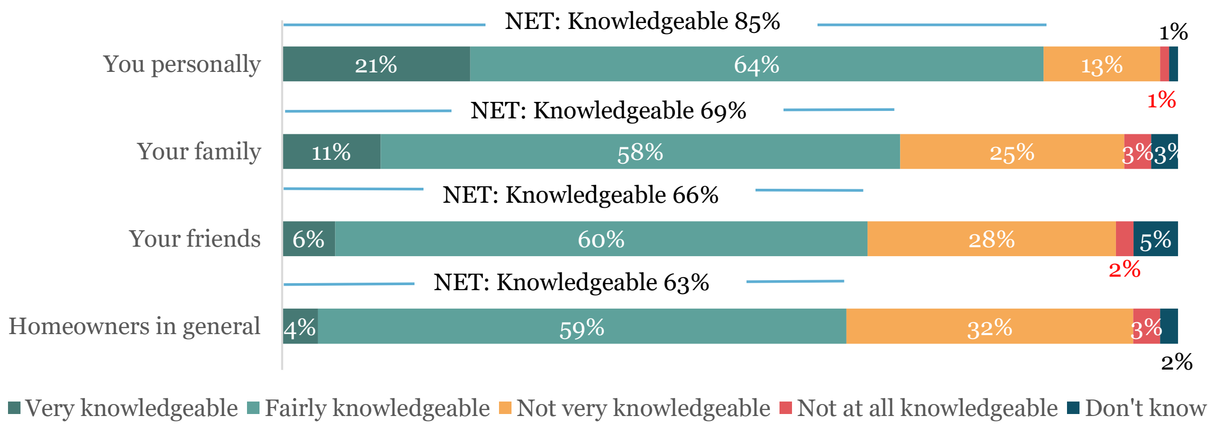
- *"We have one set of friends that I hold value in their opinion on financial things and I'd ask them to recommend a broker maybe, just so we can look at the whole market." Non-switcher (F, 18-44)*

- *"[When we began our initial mortgage search] we spoke to people, asked people who currently had houses about what they'd done and the experiences they'd had…Spoke to friends who knew about, did a bit of research on the internet about what was offered where, so I had an idea of a few places." Non-switcher (M, 18-44)*

- *"I would certainly look into friends, family, see who they are with and what they have got. Maybe it's just the case of going on the Internet and looking, you know, trying to do a bit of donkey work yourself and do it and see what the deals are and whether it's worth in the long run changing and see what other people offer." Non-switcher (F, 18-44)*

Reflecting their high levels of financial confidence, non-switchers are more likely to say that they are knowledgeable about mortgage matters than their family, friends and homeowners in general. Approaching nine in ten (85%) say they are personally knowledgeable about mortgage matters, while around two thirds say that they view their family or friends in the same way (69% and 66% respectively). Male non-switchers are more likely than female non-switchers to say they are very knowledgeable (26% and 14% respectively), and female non-switchers are more likely than male non-switchers to say they are not very knowledgeable (10% and 16% respectively).

Figure 7: Perceptions of knowledge around mortgage matters



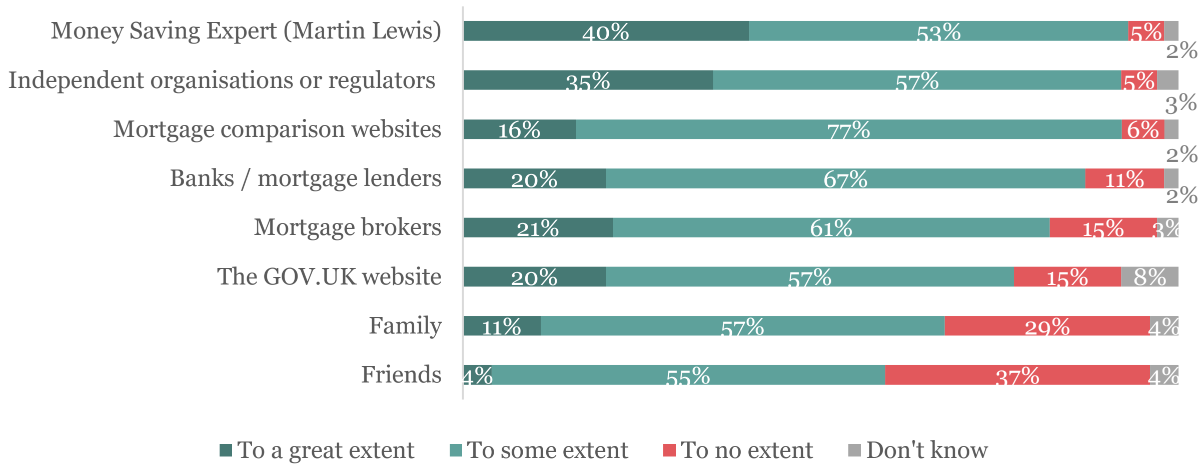
Q13. How knowledgeable do you think each of the following are about matters relating to mortgages? Base: All non-switchers (n=589).

Non-switchers are more likely to see independent parties, comparison websites, banks and brokers as more trusted sources of information about mortgage advice than friends and family. Nine in ten say that they trust the Money Saving Expert Martin Lewis (93%), independent organisations or regulators (92%) or mortgage comparison websites (92%) to be at least to some extent a trustworthy source of advice on mortgage switching. Meanwhile, two thirds or less say that they view family (67%) or friends (59%) as trustworthy sources of information in this context.

While qualitative in-depth interviews do indicate that some mortgage non-switchers would seek the opinions of their family and friends on mortgage matters, Martin Lewis and mortgage comparison websites cut through more visibly as sources that respondents would first reach out to for information on mortgage matters.

– *“I would just go on any price comparison sites [for mortgage information], probably [price comparison website] or [price comparison website] and read up a bit on some advice about switching your mortgage and take it from there.” Non-switcher (F, 18-44)*

Figure 8: Sources people trust for mortgage advice



Q24. To what extent would you trust the following sources to give you advice on switching your mortgage? Base: All non-switchers (n=589)

Martin Lewis is mentioned as a valued source of advice on both money matters in general, and mortgages specifically. This trend is evident across both quantitative and qualitative research findings. Interestingly, this is apparent amongst both mortgage switchers and mortgage non-switchers, suggesting that his influence extends across a breadth of switching behaviours.

– *“I subscribe to the Martin Lewis, the Money Saving guy, so I often go on there, just to have a look to see if there’s anything that I need to be aware of.” Switcher (F, 18-44)*

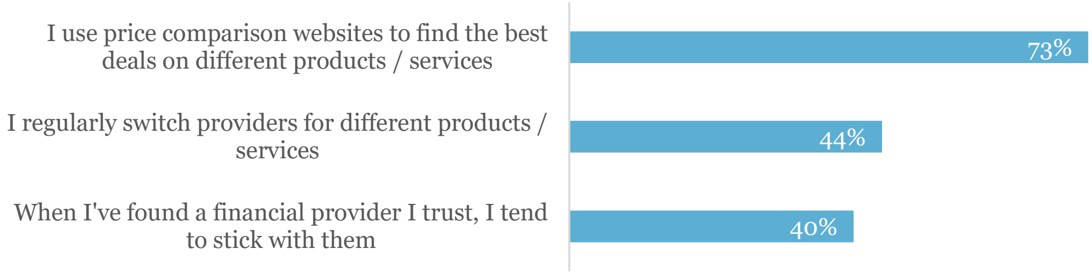
– *“I sometimes go and check out Money Saving Expert online because he’s usually quite good for any tips and deals [on switching], the same as just anything in general, like buying things…I’m always checking things like that as well." Non-switcher (F, 18-44)*

Despite the finding that non-switchers are more likely to trust independent organisations and comparison websites than friends and family, personal networks are still trusted sources of information for many and could have an important role to play in the switching process. Where family and friends are less often seen as knowledgeable or trusted sources of advice about mortgages, they could act as important prompts to carry out financially advantageous behaviour. This is because non-switchers participate in conversations about financial service products with friends and family, and some non-switchers recall discussing their mortgage within personal networks. These conversations could begin to engage non-switchers in matters relating to their mortgage, which is the first step on the journey to switching.

– *“I’m a big believer in word of mouth, and so, and if I know people who are recently purchasing properties outside their bond mortgage with a certain provider, and, you know, they would be going to me about the whole process, the service, the rate that* *they are receiving, the fee, then yes, that would probably get me to sit up and take note if I'm honest." Non-switcher (M, 18-44)*

Attitudes towards switching

Figure 9: Approach towards household finances



Q10. And thinking about your household finances, which of the following apply to you? Base: All non-switchers (n=589)

Many non-switchers have brand loyalty. Indeed, two in five (40%) say that, when they find a financial provider they trust, they tend to stick with them. Many point to good customer service, or even absence of problems as a reason to stick with a provider.

- *"I've had very good experience [with my bank] … I've been with them probably 25, 30 years, and I've never had any issues… unless somebody's offering me significant benefits, [or] offering me something very special, I wouldn't be looking to [switch provider]… if you have a good relationship, you have a trusting relationship with a provider, it takes a lot to shift you from that." Non-switcher (M, 35-54)*

- *"For a few pounds, as I say, I'd rather stick with the people I know, and that have given me a good service." Non-switcher (M, 35-54)*

- *"I'm quite loyal to people… the bank have never given me any trouble, I've never had any problem with them, just like my energy supplier, just like my local pizza delivery, do you know what I mean? If they get it right every time and they don't take too long to order and it's a reasonable price why would I go somewhere else." Non-switcher (M, 35-54)*

Further, depth interviews reveal that some mortgage non-switchers display a sense of risk aversion when it comes to handling their household finances, often in relation to the prospect of switching products or services. Such respondents express feelings of caution and reluctance around the idea of stepping outside the line of their usual financial habits.

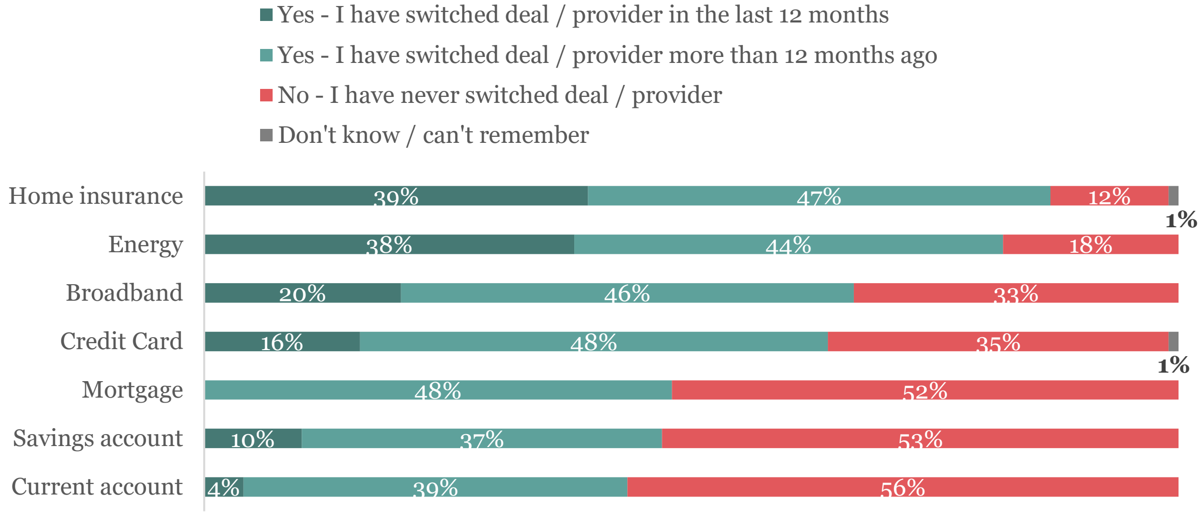
- *"I save, budget. I have to. I've got kids. Everything has to be paid. I'm not a late payer of anything. I find that really stressful. That's why I think, changing things, I'm really dubious… I'm pretty good, but because I know all the things that can go wrong, [if] they're not causing me trouble, I leave them. I have this way of burying my head in the sand for a bit." Non-switcher (F, 18-44)*

- *"I don't really think [I'm confident with my finances] to any great depth. What I do is I manage it within my own remit - I don't expect to be a millionaire, and so I just make sure that everything's paid and it's all above board." Non-switcher (M, 55+)*

Whilst non-switchers have not switched their mortgage, many have switched other products in the past. Indeed, three in four (73%) say they use price comparison websites to find the best deals on different products and services and, just over half (55%) say that they regularly switch providers for different products or services. These behaviours are evident across gender and age categories.

Non-switchers are more likely to switch non-financial products than financial products, though some have switched financial products in the past. Four in five have switched home insurance (87%) or energy (82%) providers with many switching in the last 12 months (39% and 38% respectively). This compares with just less than half who have switched their savings account or current account (47% and 44% respectively), with few switching recently.

Figure 10: Experience of switching different products



Q12. And have you ever switched deal or provider for these products / services? Base: All non-switchers aware of switching home insurance (n=508); all non-switchers aware of switching energy (535); all non-switchers aware of switching broadband (n=520); all non-switchers aware of switching credit card (n=455); all non-switchers aware of switching savings account (n=420); all non-switchers aware of switching current account; all non-switchers aware of switching mortgage (n=481).

Qualitative research provides insight into the complex set of reasons why mortgage non-switchers are generally more inclined toward switching providers in non-financial markets. As explored previously, the idea of brand loyalty towards providers of financial products, such as current or savings accounts, appears to be a key factor for some. Such respondents cite contentment with their bank or the main provider of their financial products as a reason that they would be reluctant to switch, as well as their loyalty towards these institutions.

That said, wariness around the perceived potential consequences of switching financial products also emerges as a factor in preventing switching in these markets. Indeed, qualitative interviews also highlight how, for some, switching non-financial products such as utilities is often framed as having fewer risks than switching financial products. As an example, many express concerns around the idea that they might see damage to their credit score through the mortgage switching process.

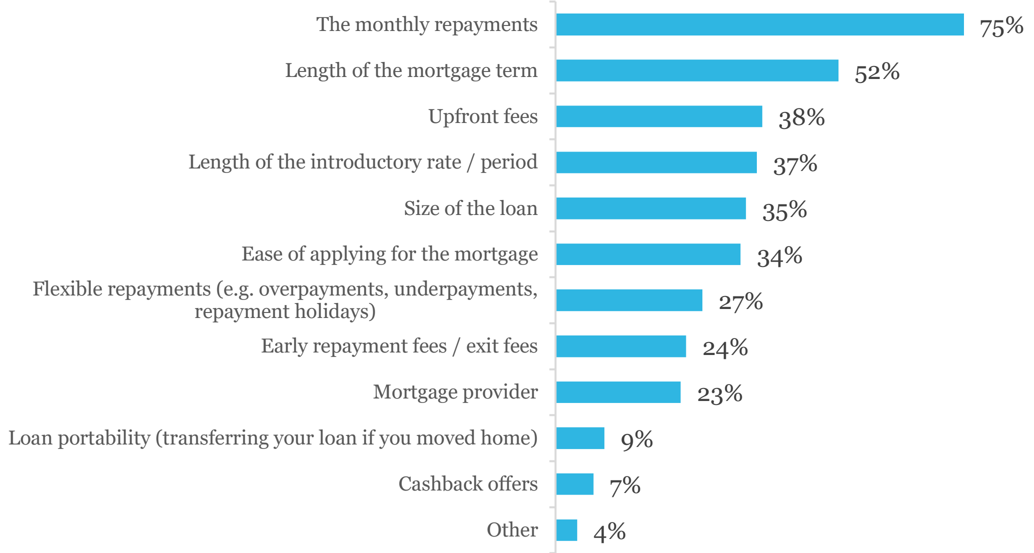
- *"I will switch things like utilities, insurance, car insurances. They will all change, house insurance every single year. I'm not loyal on that sense but I do have bit of a bizarre loyalty to my bank." Non-switcher (M, 45-54)*

- *"[A] question is the chance of being rejected, because if you go into a bank and get rejected, that will feature on your credit score. We all know how important your credit score is…so you try to keep yourself in the best financial picture or impression that you can…I'll stick with who I've got, because it's just a simple process." Non-switcher (M, 55+)*

- *"I've been a long-standing customer with [MORTGAGE LENDERS] before, so I'm very happy with the service I get from them. So, it would probably take a lot to be changed. For utilities and things, absolutely, I would have no issue changing suppliers there." Non-switcher (M, 45-54)*

Experiences with the mortgage market

Figure 11: Most important factors when choosing mortgage deal



Q15. And what were the most important factors when deciding which mortgage deal to choose? Base: All non-switchers (n=589)

Mortgage non-switchers are most likely to say that the monthly mortgage repayments were one of the most important factors when deciding which mortgage deal to choose. Interestingly, those with a smaller mortgage say they were more likely to focus on the monthly repayments; four in five (79%) non-switchers with a mortgage size of £10,001-£75,000 describe this as having been one of the most important factors when choosing their mortgage deal, compared with around two thirds (69%) of those with a mortgage size of £150,000+. In addition to this, younger, and middle-aged brackets were also more likely to consider monthly payments as an important factor when compared to older respondents (76% and 81% compared to 65%). Indeed, older non-switchers were instead more likely to consider the ease of applying for a mortgage to be important compared to younger non-switchers (40% compared to 29%).

The prominence given to monthly repayments as an important factor when considering mortgage deals is not exclusive to non-switchers. Indeed, qualitative findings highlight that many mortgage holders who have switched deals in the past 12 months also focused on the rate of monthly repayments when taking out their initial mortgage on the property they currently live in. The importance of monthly payments shows how focused this audience are on the short-term costs, a weighing of the long-term costs and benefits is secondary.

- *"It was very much about the monthly costs. Whether or not we felt like we would be able to afford the monthly costs. So I think whether or not the total interest was maybe a bit high, or the term was a bit longer, we were fine with, as long as we felt like the monthly cost was manageable." Non-switcher (M, 18-44)*

- *"I would say for us the bottom line is affordability on how much our monthly repayments are. So, our actual repayments change very little, so there might be [a] £20, £25 difference between different products, and obviously we want to eventually pay it off, but we're not bothered about repaying early. They take an excessive amount of interest, I get that, but I just want to know that we can pay it every month and it's not going to be out of our reach financially." Switcher (F, 18-44)*

- *"I look at [mortgage repayments] on a monthly basis, because when you look at a mortgage, say you haven't got it just for month X. I get paid monthly, I get my pension coming in monthly. What I've got to make sure is that every month I can cover whatever that X is." Non-switcher (M, 55+)*

- *"This term was maybe slightly longer than the other terms, so it was maybe 30 years as opposed to 25, which actually makes the monthly payments a bit lower, and that's why it then worked out as being the best thing." Switcher (F, 45-54)*

After mortgage repayments, half (52%) say that they considered the length of the mortgage to be one of the most important factors when choosing their deal. While this constitutes a significant amount of the mortgage non-switchers, there is nonetheless a notable gap between a consideration of monthly outgoings versus the overall length of the mortgage deal. Also considered important by many – though not a majority – were the upfront fees, length of the introductory period, size of the mortgage and ease of applying.

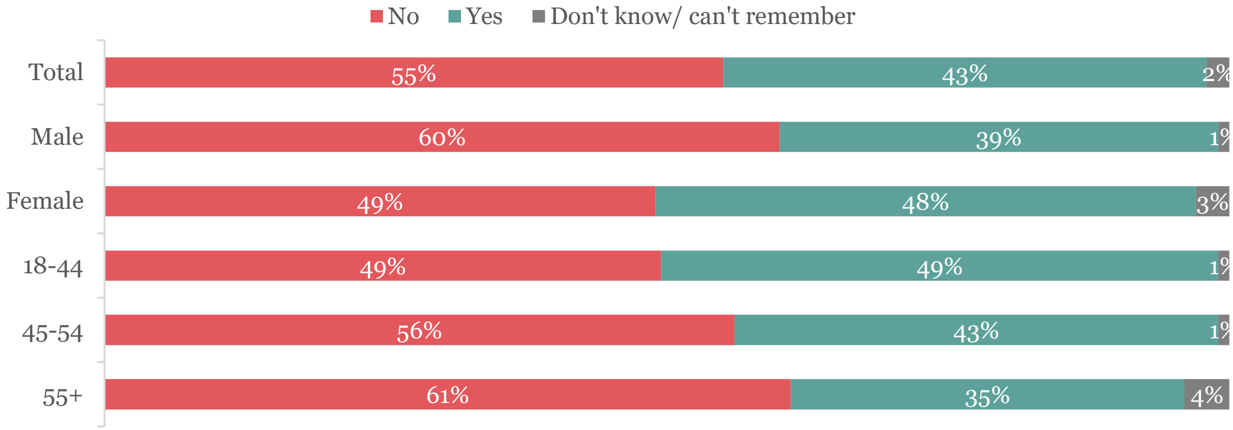
- *"I think he did try to push us towards a twenty-year mortgage but the payments were maybe a bit just too much to obviously still have a lifestyle type of thing. I mean, in theory it's a good idea, you pay more if you pay it quicker, so it's a good idea but we just didn't have that extra cash or fall back of stability in the cash flow, so we went for 25, which is fairly standard." Non-switcher (M, 45-54)*

- *"I think, number one, that, obviously, we knew that we could afford it, because we didn't want to stretch ourselves too much. I think, initially, when we bought the house, obviously, we wanted to know what we were paying at the beginning. It was buying our first house together, so that's why we fixed it for five years." Non-switcher (F, 18-44)*

- *"Well, obviously [I considered] the length of time of the mortgage. So, being a contractor, I also looked at it from the point of view of, 'What if I lost my job, I couldn't [fulfil my] contract anymore, and so on?' It just fit our needs at the time, and our future requirements." Non-switcher (M, 55+)*

Just over two in five (43%) mortgage non-switchers used a broker or intermediary when taking out their mortgage. Use of a broker is higher amongst younger non-switchers when compared to older non-switchers; half (49%) of 18-44s used a broker, compared with a third (35%) of those aged 55 and over. Women are also more likely to use a broker than men (48% vs. 39%).

Figure 12: Use of a mortgage broker



Q14. Did you use a broker or other intermediary (e.g. an independent financial advisor) when taking out your mortgage? Base: All non-switchers (n=589); all male non-switchers (n=301); all female non-switchers (n=n=287); NET: 18-44 (n=207); NET: 55+ (n=168).

Depth interviews shed light on reservations non-switchers hold about using a broker. Many express concerns about using a broker as they are concerned about brokers working on commission, as they feel this would compromise the financial advice given. They feel that, ultimately, the personal financial motives of brokers could be detrimental to them securing the most favourable deal. Indeed, many non-switchers' self-confidence in matters related to mortgages made them feel that they were similarly well placed to find a good mortgage deal and would rather avoid a potential conflict of interest in bringing in a mortgage broker.

- *"I didn't want an independent broker or an adviser… Partly my friend who used one of these was trying to push me to use an independent mortgage adviser. I was thinking, well, no, because they're not doing it for free… Someone's paying them, they're going to push you towards something. So yes, do it for yourself, and you can do it for yourself." Non-switcher (M, 18-44)*

- *"All in all, it's a joke. There's lot of back and forth, a lot of jargon. People chat, and claim, but at the same time, you're also very aware that everyone you're talking to is working on commission, so they'll just give you the top layer, tell you what needs to be told to get it done, rather than necessarily going into depth and explaining things." Non-switcher (M, 18-44)*

Of those who used a broker, many feel the broker made a crucial contribution to the process of taking out their mortgage. Specifically, many found the brokers' expertise and advice valuable. Interestingly, this trend can be observed amongst both mortgage switchers and non-switchers. Both groups say that the broker alleviated personal time burdens and reduced perceived inconveniences in the process of taking out their mortgage through providing advice and producing a limited set of options to choose a mortgage deal from.

- *"I don't think I ever really spoke to anyone directly from the lender. It was always through the broker first. They were great, to be honest with you. They've obviously been through these things multiple times. They knew every eventuality or possibility that might crop up, so they knew how to resolve it. They pretty much told me straight away what I needed to provide them so they could pass it on to the lender themselves. They were good, they were easy to get a hold of. They would quickly* *respond to your emails if you had any questions or queries." Non-switcher (M, 18-44)*

- *"It's the biggest thing you will ever pay for in your life, and it's the biggest thing you will ever be paying out probably in your bills, unless you're very unlucky… So be responsible, be an adult, educate yourself, but also, go and get some really good sound advice from a mortgage broker who does this day in, day out reliably for thousands of people." Switcher (F, 18-44)*

- *"Yes, [the broker] did everything. I think there was an initial setup fee with him or it was paid to them and he worked on commission. I'm not quite sure how it worked, but because I was paying this payment, I expected him to do it. I think that's probably why I paid it as well, because I knew it was going to be a lot less hassle. At the time, I had two young children. I was obviously working, so it was just easier for him to sort it out for me." Non-switcher (F, 18-44)*

- *"[Our mortgage broker] knows our circumstances, which don't change that much...I guess he knows that unless something exceptional happens, our circumstances will stay the same, and that makes me feel like I've got a bit of a trust relationship with him. I've certainly recommended that firm and that guy to several other people, because for me the relationship and the outcome has been really positive...I've definitely now re-mortgaged through them, and with that same [broker] about three times." Switcher (F, 18-44)*

When looking for a mortgage without using a broker, non-switchers typically employed one of three approaches.

- Some would speak to somebody within their personal network that they knew to be very knowledgeable about mortgage matters. For example, this could be a relative or a friend.
- Others would conduct extensive research of the different options, relying on sources of information other than friends and family, such as comparison websites and a range of mortgage providers, and then use family and friends as a sense check for their decisions.
- A final category looked for a mortgage with a small number or even one provider (in these cases the provider is typically one they have been with for an extended period of time). This final category are typically highly confident in matters relating to their mortgage, or particularly loyal to a specific brand.

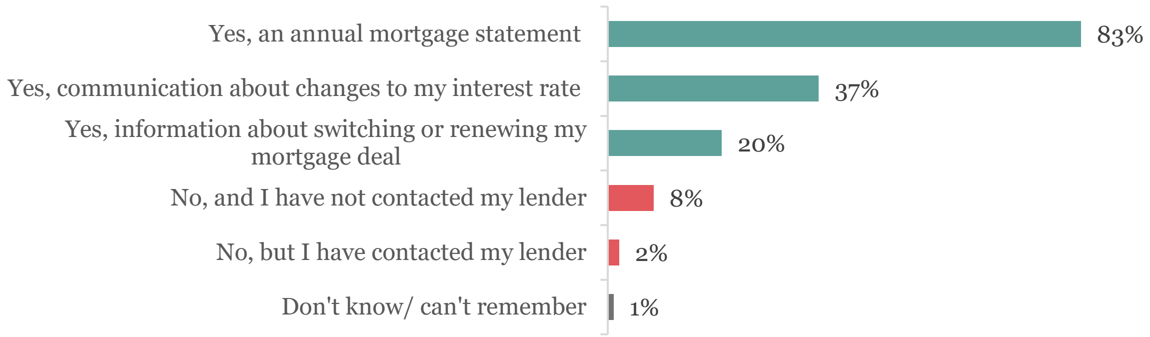
Whilst some used comparison websites to find a mortgage, this typically depended on when that mortgage was taken out, with usage higher amongst those taking mortgages out more recently. However, as explored earlier, many were familiar with comparison websites and had used them for other product types.

Communication with current lenders

While four in five (83%) non-switchers say they have had communications from their mortgage lender in the form of an annual mortgage statement in the last few years, only one in five (20%) say they have received information from their lender about switching or renewing their mortgage deal.

Although lenders may be communicating more frequently than non-switchers recall, this communication is not getting cut-through with this audience. Indeed, whilst mortgage providers have a statutory obligation to notify mortgage holders about changes to their interest rate, and all non-switchers say that their monthly payments have changed more than 12 months ago, just two in five (37%) recall receiving communications about changes to their interest rate in the last few years. This highlights non-switchers disengagement with matters related to their mortgage.

Figure 13: Communications from current mortgage lender



Q17. In the last few years, have you had communications from your current lender in relation to your mortgage? Base: All non-switchers (n=589).

Similarly, during depth interviews many non-switchers say that the only form of recent communication that they recall receiving from their mortgage lender is an annual mortgage statement. Non-switchers' attitudes towards finances more generally – that of close monitoring but a lack of proactive action – can be seen in the communications they receive from lenders. Often, no action is taken on the back of communications received.

– *"I've never, ever had a phone call off [MORTGAGE LENDER] [about switching] in my entire life, and I only ever have one letter a year and that is my annual statement. That's literally the only contact I have with my mortgage company." Non-switcher (M, 18-44)*

– *"Speaking to [my mortgage lender] personally, it was a long time ago now… I'm not aware that I received any phone calls, either. I just get my mortgage statements in once a year." Non-switcher (M, 45-54)*

– *"We do [get annual mortgage statements] …I just shred them." Non-switcher (F, 18-44)*

Interestingly however, switchers also reported a lack of contact from their lender with regards to switching.

- *"[Our original lender] didn't seem bothered at all about keeping us or making us a better offer or anything, or matching or anything at all." Switcher (F, 45-54)*

- *"No, they didn't contact me at all. Only right up until the end and when I spoke to them and, you know, asked, what offers they had on and it's all about new customers, but I didn't feel valued as an existing customer." Switcher (F, 45-54)*

Vulnerable characteristics

It may be easy to assume that many non-switchers have not switched their mortgage because they experienced something in their life that makes them vulnerable. For example, having a disability. Indeed, each stage of the research is designed to be inclusive of those with vulnerable characteristics, including face-to-face interviews at the qualitative stage and telephone interviews at the quantitative stage, in order to enable the participation of those audiences.

However, this research has found that, whilst a minority exhibit vulnerable characteristics and these may impact their ability to switch, for most non-switchers vulnerabilities do not impact their ability to switch. For example, where non-switchers are typically older and less wealthy than mortgage holders in general, just 5% of non-switchers were over the age of 65 and 3% earnt less than £15,000.

Amongst the minority that exhibit vulnerable characteristics there were two themes:

- **Poor numeracy skills and a limited understanding of complex terms** – Many feel confident about managing their household finances and matters relating to mortgages in general. However, during the decision-making exercise, when weighing up the financial benefits of different mortgage deals, a minority of respondents struggled to understand the mortgage deal. In particular, some faced difficulty in mathematically working out which was the most advantageous deal. Ultimately, half of non-switchers (47%) selected the most advantageous deal, whilst 30% selected a less advantageous deal, 5% selected a deal that was very poor and a significant minority one in five (20%) were unsure.

- **Life events** – A minority of respondents had experienced a life event that meant that they no longer felt they could switch their mortgage. Most often the life event experienced was a breakdown in a relationship. This left some non-switchers feeling that they would be unable to pass affordability checks without their previous partner. In addition to the breakdown of a relationship, some say that having a child or additional children is a significant life event that acted as a barrier to switching their mortgage. This is because of the strains on time and cognitive load placed on non-switchers after having children.

Conclusion

Non-switchers are not one single homogenous group. Indeed, demographically, whilst this audience are older and less wealthy than mortgage holders overall, there are sub-groups that have different attitudes and experiences of the mortgage market; namely older more wealthy men, and younger less wealthy women. These individuals – each at different stages of their life – face different barriers, which are informed by different perceptions of the mortgage market.

However, there are two key defining characteristics of non-switchers, which are:

- **Confidence** – The majority of non-switchers, and men in particular, feel confident in relation to their mortgages. Non-switchers are more likely to say that they personally are knowledgeable about mortgage matters than their family, friends and homeowners in general. Indeed, this audience are more likely to signal financial capability than vulnerability: three in five (57%) say they contribute to savings each month (57%), compared to just one in five (20%) that say they do not have enough time to plan their finances.

- **Disengagement** – Though most feel that they could engage with matters relating to their mortgage, many have not done so for an extended period of time. Just two in five recall receiving communication about changes in their interest rate, despite monthly payments being a key consideration when taking out the mortgage.

This combination could make encouraging switching more difficult, as many do not feel as though they need to be helped. At the same time, persuading non-switchers to switch mortgages presents a challenge as their disengagement with communications will make effective engagement with them difficult.

Why do some people not switch mortgages?

Non-switchers perceive a number of barriers to switching. Frequently, these range by demographics and also by where they are on the journey to switching their mortgage. The following section explores expectations of the switching process before detailing the barriers faced by non-switchers.

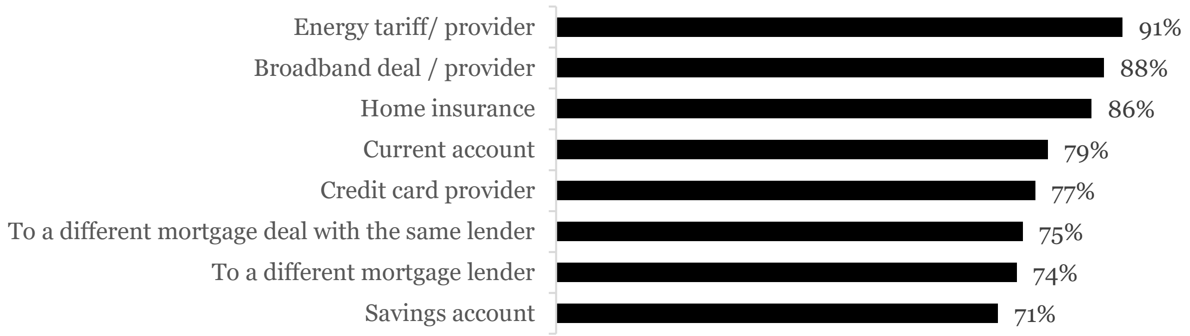
Whilst non-switchers vary greatly in their expectations of the switching process and the barriers they face, there are three key points that can be pulled from this complex web of factors:

- Non-switchers are typically content with their mortgage deal, and many are loyal to their current lender,
- They typically over-estimate the difficulties of switching,
- And underestimate the benefits of doing so.

Expectations of the switching process

Awareness of switching

Figure 14: Awareness of switching



Q11. To the best of your knowledge, for which of the following products / services are you able to switch your tariff, deal or provider after your minimum contractual period? Base: All non-switchers (n=589).

Three in four non-switchers report being aware that they could switch their mortgage internally (75%) or externally (74%). Qualitative evidence suggests that the one in four not aware that they can switch, are more likely to be unsure of whether they can switch, as opposed to completely unaware of the process. When asked whether they could switch internally and externally, many say they 'think' or 'assume' they can switch. This suggests that switching is an action they believe they could do, but one they have not considered in the past.

- *"I'm assuming I can now, I don't see why I should be tied in to not being allowed, but I don't know if there's a clause anywhere that says no to that, but I just assume that I can. The answer would be no, that I don't know, but I just assume that I can, you know, if I wanted to. Is there not a thing now that's advising people that anybody can change their mortgage?" Non-switcher (M, 35-54)*

- *"Can I switch my mortgage lender? Yes, I'd have to repay the existing mortgage, and pay the early repayment of it, but in theory yes, I suppose you could go to another lender. I've never thought about it, I'm assuming you could." Non-switcher (M, 35-54)*

- *“I don't know [if I can switch my mortgage]. I assume so…I don't know.” Non-switcher (M, 35-54)*

- *"I don’t know, I’ve not spoken to them about [switching my mortgage], I would guess [that I can], but I don’t know." Non-switcher (F, 35- 54)*

Those who took their mortgage out before 2008 (72%), and those with a lower household income (67% of those with an income of less than £40,000) are less likely to say they are aware of the switching process. This may be because this audience, many of whom have been on their reversion rate for over a decade, are less engaged in matters relating to their mortgage. Indeed, those that don’t know where to get more information about mortgages (56%) or find the process of switching too difficult (64%) are also less likely to report to be aware of switching.

Mortgage non-switchers’ understanding of switching is limited. For example, some are unsure whether changing from their current provider would incur a penalty, whilst others worry that through switching, they would delay the time at which they would pay off their mortgage.

- *"I think I can switch, yes. I think we’re switching at the end of the year… I’m not sure if there’s a penalty though.” Non-switcher (F, 18-44)*

- *“I would imagine so. Do you not get penalised? Or not penalised, probably the wrong word but there will be a fee to exit your mortgage… I think it’s got two years, tied it for two years so I guess like in any kind of contract there’s a buy out fee or something like that. I guess it’s like your mobile phone. You can change it, but you have to pay a fee, like, I don’t know.” Non-switcher (M, 18-44)*

- *“I do have a friend that switches hers every few years, I've heard her talk about it. What puts me off is, I think she seems to get a bit more every time she does it. I like to know mine's coming down, you know, and that it's coming down nicely, and, obviously, within, sort of, ten, eleven years, it's done and it's finished.” Non-switcher (F, 18-44)*

Finally, it is also worth noting that some non-switchers experience confusion about whether they have switched or not in the past. For example, at one point in the survey, 48% of non-switchers report switching their mortgage deal or provider in the past, whereas elsewhere in the survey 57% report having changed or renewed their mortgage deal for the house they currently live in with their current lender and 22% report having done so with a different lender. This discrepancy can somewhat be accounted for with the word ‘renewed’ as some do not feel they have switched, but instead ‘renewed’ their mortgage. However, it also points to a wider confusion about the details of the mortgage process.

Financial incentives to switch

Despite limited knowledge of the switching process, many non-switchers acknowledge that there could be financial rewards from switching. Indeed, non-switchers expect to save an average of £98.00 per month if they switched their mortgage. This rises to £125.00 per month amongst those with a mortgage with a value of greater than £150,000 and falls to £59.00 amongst those with a mortgage value of less than £75,000.

- *“I think the only benefit you are going to get is you could save a bit money and put a bit more aside in your savings or have a bit more of a lavish lifestyle at the minute. I think that would be the only benefit that you would be getting. You’ve always got a possibly of extending the time if you borrow more money. So, you don’t want to be paying your mortgage off for too many years.” Non-switcher (M, 45-54)*

- *“You could save money, probably, I would imagine that if I could get the right one, this could maybe bring my payments down, or release a bit of money and pay the same, maybe, if I was wanting to do any sort of development in my house.” Non-switcher (M, 18-44)*

- *“I think paying, like, another deal maybe, like another introductory deal. Something like that or maybe the interest rate might be slightly different.” Non-switcher (F, 18,44)*

Half (47%) of non-switchers say that the benefits of switching mortgage do not outweigh the risks. Indeed, the £98.00 that non-switchers would expect to save monthly, is less than the minimum amount they say is necessary to encourage them to change mortgage deal. On average, non-switchers say that a monthly saving of £120.00 would encourage them to switch mortgage deals. Interestingly, men say they need a greater financial incentive to switch than women (£156.00 and £84.00 respectively). Those unlikely to switch also expect a greater savings than those likely to switch (£169.00 and £98.00 respectively). Finally, those facing particular barriers to switching are more likely to need greater financial benefits. For example, those that say lack of time is a barrier say £179.00 per month would encourage them to switch, whilst those that find the process too difficult say £170.00 per month would encourage them.

Findings from the quantitative survey are backed up by qualitative interviews in which around £100 per month was often cited as the amount of savings they would expect, though as in the quantitative analysis, this varied somewhat by respondent.

- *“It probably would [tempt me to switch] ...I'd give it £70, £80, £90 [difference].” Non-switcher (F, 45-54)*

- *"If I could get a cheaper monthly payment I would switch. I'm talking about, you know, £100 cheaper for example, not just £5 cheaper." Non-switcher (F, 18-44)*

- *“[My monthly payments] went up for a while by about £50 a month, but then they came down again for a while, and now they seem steady. [I did not notice the increase] because it didn’t change a massive amount... I think if it changed by any more than £100, then we'd probably look into [switching] and see if we could possibly start thinking about getting a better deal elsewhere.” Non-switcher (F, 18-44)*

- *“Even if it went up £50, I think that would be a sizeable amount of money to make me think, ‘Hang on a minute.’ Yes, I’d notice that.” Non-switcher (M, 18-44)*

- *“Because the interest rates are remaining stable at the moment I don't see any benefit, if interest rates were to start going up I might have a look at doing something, if they looked like they were on an upward slope for the next while, I might consider going into a fixed rate again, but as things are at the moment, it effectively hasn't changed for years.” Non-switcher (M, 45-54)*

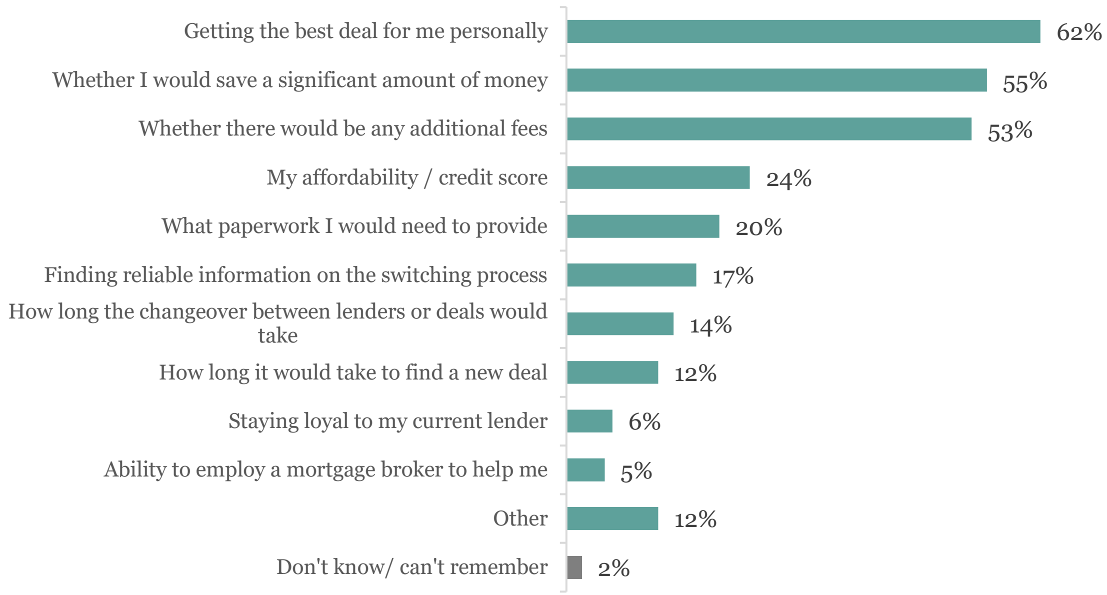
Considerations of the process

When asked what considerations non-switchers would have when switching their mortgage, three factors are mentioned most often. Non-switchers most often look for the best deal for them personally (62%), they also want to save a significant amount of money (55%) and avoid additional fees (53%). Two of the top three considerations are therefore purely financial, whilst the main consideration is partially financial, but also emphasises the importance of the individual non-switcher in the process.

- *"The rate, the monthly cost and the length, is probably the three main things." Non-switcher (M, 18-44)*

- *"I didn't want it to be too much per month or anything, so before I even bought the house, I checked all that out." Non-switcher (F, 55+)*

Figure 15: Hypothetical considerations for switching mortgage deal or lender

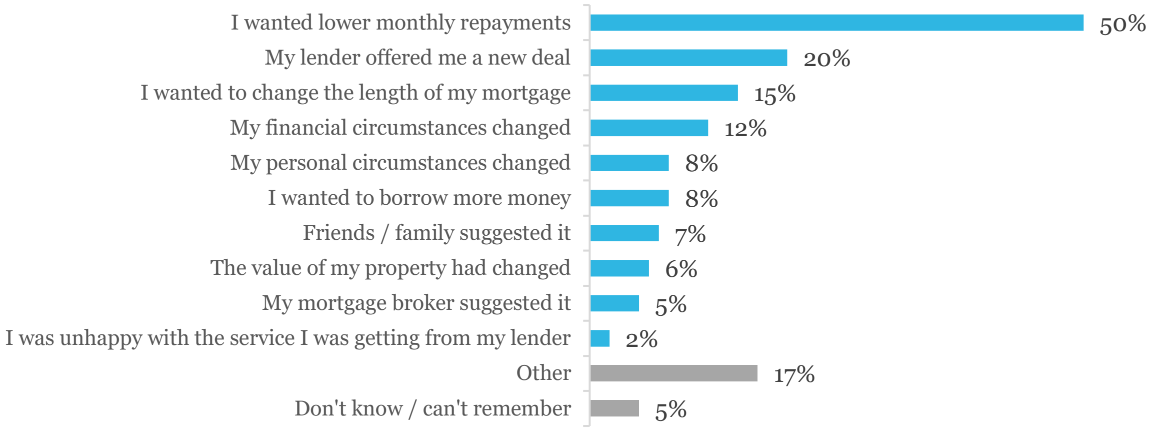


Q21. Imagining you were to try and switch your mortgage, what would be your main considerations in this process? Base: All non-switchers (n=589).

Whilst mortgage decisions are frequently discussed as a significant financial and administrative task, it is also one that is seen as intimately connected with the individual. It is worth recalling that for non-switchers mortgages are not just a financial product, they are a way of owning their home. This helps to explain why getting the best deal for them personally is most often seen as a key consideration. Often, non-switchers feel that they have personal situations or preferences that mean that they felt that they required a personalised approach or mortgage deal. For example, some older respondents wanted the flexibility to pay back their mortgage more quickly without being penalised, whilst some on lower incomes wanted assurance that changing mortgage deals would not potentially impact their credit score. Whilst this is also the case for switchers, and as such, this not a unique barrier to non-switchers, it is important to consider when designing interventions to encourage switching.

The idea that monthly repayments play a considerable role in peoples' mortgage choices is further evidenced when considering the motivations of non-switchers who have previously considered switching their mortgage deal or lender. Half (50%) cite wanting lower monthly repayments as one of the main reasons that they considered switching, indicating that this focus is persistent across different stages of experiences as a mortgage holder.

Figure 16: Reasons for considering switching mortgages



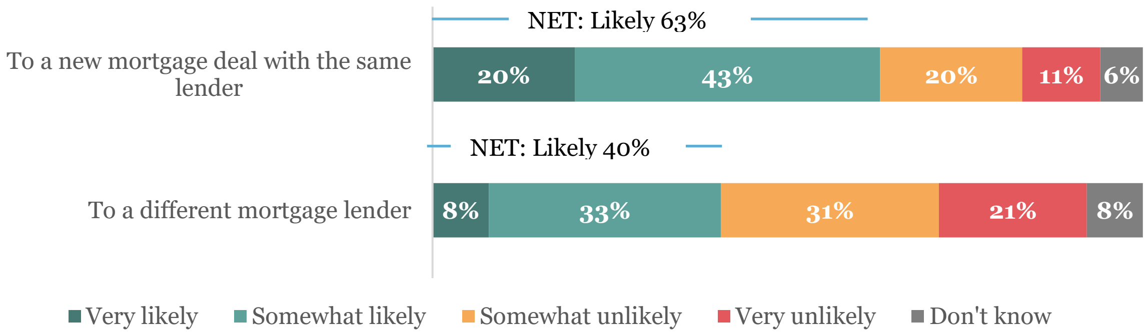
Q19. Why have you previously considered switching your mortgage deal or lender? Base: All respondents who have considered switching (n=330).

Discussions of fees, as well as other factors such as affordability and credit scores, will be explored in the barriers section of the report.

Internal and external switching

Close to two in three (63%) non-switchers say they are likely to switch mortgage deal with the same lender in the future, whilst two in five (40%) say the same of a different mortgage lender. This suggests that mortgage non-switchers – as with mortgage holders in general – are more comfortable with the concept of switching internally than switching externally.

Figure 17: Likelihood of switching mortgages in the future



Q27. How likely or unlikely are you to switch mortgage deal or lender in the future? Base: All non-switchers (n=589).

This is reinforced by the finding that half (53%) of mortgage non-switchers say that they have not switched because they trust their mortgage provider, indicating that loyalty to current mortgage lenders is an important factor for many non-switchers. Indeed, as noted previously two in five (40%) non-switchers say that when they've found a financial provider they trust, they tend to stick with them.

Further, some non-switchers have a tendency to believe that long-term loyalty to these financial providers would be beneficial for them. They feel that the longer they are with the lender, the more that lender would have evidence that they are a safe investment and a valued customer. A result of this belief is that non-switchers feel there are additional barriers to switching to an external lender, when compared to switching internally, as other lenders are less likely to see that individual as a solid financial investment. Others rationalised being loyal to a specific brand as an extension of their personal character, or felt that they had received good customer service or – at least – never experienced poor treatment.

- *"I've already got that history with [my current lender], they already know everything, I like that as well. I like that they've [seen] every repayment has been made every month, whereas a new lender is more credit checks and things like that." Non-switcher (F, 18-44)*

- *"I do think that they wouldn't do me any favours if I'm not an existing customer. I'd like to have thought [MORTGAGE LENDER] would have given me a favourable thought because I was an existing customer for 40 years, I may be wrong. When I did apply I thought I would have got a favourable decision because of the length of time that I've been with them, and they can see my style of saving and banking, but I don't really know." Non-switcher (M, 55+)*

Indeed, many non-switchers have used the same financial providers for a range of financial service products for much of their lives. As we have seen elsewhere, half of non-switchers have never switched their savings (53%) or current account providers (56%). This lack of change in use of financial service provider helps to make their current mortgage lender the default option for financial services.

- *"I could switch my mortgage if I wanted, but I'm not in the mood to do so. If somebody came and said, 'I can save you £20,000-30,000,' I'd obviously jump at it. For a few pounds, as I say, I'd rather stick with the people I know, and that have given me a good service." Non-switcher (M, 55+)*

- *"[I think that] if I was likely to get into difficulty, maybe my current lender would be more inclined [than external lenders] to go, 'Okay, well, you've proved yourself thus far [and be sympathetic to my position]." Non-switcher (F, 45-54)*

- *"Maybe, I don't know, [current lenders] might be a bit more sympathetic towards you, maybe they might be a bit more willing to help you [if financial circumstances changed] because you bank with them as well. I don't know. I suppose it's just about loyalty, isn't it, really? You feel loyal just to stay with one provider, don't you?" Non-switcher (F, 18-44)*

Notably this 'brand loyalty' is also relatively common amongst mortgage switchers.

- *"[Our financial provider] knows our circumstances, which don't change that much… that makes me feel like I've got a bit of a trust relationship with him. I've certainly recommended that firm to several other people, because for me the relationship and the outcome has been really positive. I've re-mortgaged through them about three times." Switcher (F, 18-44)*

- *"I must have thought, 'What's the point [?] in that respect I think 'just stick with what you're sticking with at this point in time.' I think there's no issues, there's been no problems. They've been really helpful whenever I've had a query. If I've needed something it's there straight away. I've not had any problems. So, yes, I just decided to stick with them." Switcher (M, 18-44)*

- *"I wouldn't leave the company I'm with, I just wouldn't, unless you could halve my mortgage… Multiple reasons really, the [favour] they did for us when we moved, keeping that rate, the information they sent us about re-mortgaging, initiating the* *conversation rather than waiting for the customer to do it… it just feels like there's no issue with them whatsoever. They're faultless, I've not got one bad word to say about them, in twelve and a half years." Switcher (M, 18-44)*

Older mortgage holders are less inclined to switch either internally or externally. Four in five (78%) 18-44-year olds say that they are likely to consider switching to a mortgage deal with the same lender in the future, while just half (47%) of those aged over 55 say the same. This disparity between different age groups is also reflected when those interviewed consider their likelihood of switching to a different mortgage lender; 57% of 18-44s say that they are likely to switch in this capacity, while around two thirds (36%) of 45-54s and a quarter (26%) of over 55s say the same. Whilst different age groups face a range of different barriers, which will be explored in the next section, one of these, is considered to be age itself. Some older respondents worry that lenders will be concerned that they will be unable to meet payments into retirement. Further, some raise hesitancy about moving to a new mortgage lender entirely as they feel that a new lender, unfamiliar with their financial history, is unlikely to lend to them on favourable terms.

- *"The barriers [to switching mortgages] would be I think there's a negative on my age, that's in the back of my head. The second one is that, I suspect, not being a customer of a bank that I would be applying to would be negative… I do think that they wouldn't do me any favours." Non-switcher (M, 55+)*

- *"I'm 61, so my issues are, who will lend me a mortgage? Who'd give me a mortgage now, because of my age? Even though, as long as I'm alive, I get paid, you know, I get a pension. So, that is an issue, not just for myself, but for other people of an age, about how they get a mortgage when they've gone past, you know, 55, whatever it is." Non-switcher (M, 55+)_*

- *"I didn't want to still be paying it off when I'm, like, 80." Switcher (F, 18-44)*

- *"I don't know if it would be saving in mind, it would more be reducing the timescale of paying it back." Non-switcher (F, 18-44)*

Those that took their mortgage out from the year 2008 onwards are significantly more likely to say they will switch their mortgage deal or lender in the future than those who took their mortgage out before 2008. Approaching three quarters (72%) of those whose mortgages were taken out from 2008 say that they are likely to switch to a new mortgage deal with the same lender, compared with less than three in five (56%) of those who took their mortgage out before 2008.

Meanwhile, half (51%) of those who took their mortgage out in 2008 or later say they are likely to switch to a different mortgage lender, while three in ten (31%) of those who took theirs out before 2008 say the same.

In addition to the barriers explored in the next section, there are two possible explanations for this. Those that took out their mortgage before 2008 may have seen significant drops in their monthly payments as the base rate fell from 5.5% in December 2007, to 0.5% in March 2009. They may therefore be unwilling to switch, as their mortgage deal is more favourable than some of those available on the market.

An additional reason that may explain this difference is that some with mortgages dating to before 2008 are aware of the tightening of lending practices, in particular greater scrutiny of household finances by potential mortgage lenders. Some felt that if they were to change their mortgage deal, they would have to go through lending checks that would border on an invasion of their privacy. Others were concerned that they may fail these more stringent affordability checks. This is considered particularly concerning given limited understanding of where failing affordability checks leaves non-switchers in relation to their current mortgage.

- *"As a process, [switching mortgages] [wouldn't be] straightforward, because there's all the documents you've got to provide, and all the questions you've got to answer, and all the background checks that they've got to conduct and carry out. [and] now, it's going to be more bureaucratic, because there's even more stuff that they've got to check on." Non-switcher (M, 55+)*

  "At my age, I've probably got to do some form of possibly even medical and give all of that information again and that always feels like a slight invasion of privacy, to be honest." Non-switcher (M, 45-54)

- *"It was easier [than it is now]. This was before the crash, so this was before all the lending guidelines tightened up." Non-switcher (M, 55+)*

- *"Yes, if I found out it's quite a drawn-out procedure [like it was initially], that would put me off straight away, having to do all that again." Non-switcher (M,18-44)*

- *"My experience for getting mortgages in the first place, when I was younger, was always fairly stressful. And I'm aware that that process is now much more rigorous than it was in my day. It was a couple of pay slips and 'here's some money', and now there's a lot more to it. So, my barrier for switching mortgages is that I believe - I could be wrong - it is an awful lot of hassle to do it, and that slight invasion of privacy again. If you're going to send somebody all of your financial details, not just what you earn but all of your monthly outgoings and all that sort of stuff, it almost feels like a slight invasion of privacy... I know it's necessary, but I'm never that comfortable telling somebody what's on my credit card." Non-switcher (M, 45-54)*

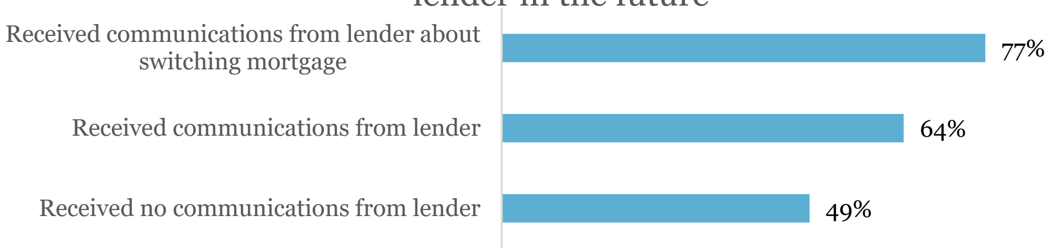
Non-switchers with smaller mortgages are also less likely than those with larger mortgages to switch (56% compared to 71% for internal switching). As we have seen elsewhere, significant financial savings are an important factor in encouraging non-switchers to switch. Having a lower mortgage value means that there is less scope for significant savings, which could help to explain why these mortgage holders with a lower mortgage value are unlikely to switch.

- *"I could switch my mortgage if I wanted, but I'm not in the mood to do so. If somebody came and said, 'I can save you £20,000-30,000,' I'd obviously jump at it. For a few pounds, as I say, I'd rather stick with the people I know, and that have given me a good service." Non-switcher (F, 18-44)*

The importance of the current lender

Non-switchers are more likely to say they will switch internally if they have received communication from their lender about switching, reinforcing the important role the current lender has in the switching process. Contact about switching from a lender makes no impact on likelihood to switch externally.

Figure 18: NET: Likely to switch mortgage deal with the same lender in the future



Q27. To a new mortgage deal with the same lender: How likely or unlikely are you to switch mortgage deal or lender in the future? Base: All non-switchers that have received communications from lender about switching mortgage (n=115); all non-switchers that have received communications from lender; all non-switchers that have received no communications from lender (n=57).

There is one important caveat to this finding. As discussed previously, recall of communication is low. Indeed, as some communication from lenders is mandatory, recall of communication could tell us more about how engaged a particular non-switcher is rather than whether their lender has reached out to them. This means that whilst lender communication may encourage some non-switchers to switch, it is likely to only get through to those customers that are already more engaged. For example, three in four (75%) non-switchers likely to switch say that an estimate from their current lender about how much they would save if they switched would encourage them to do so, compared to two thirds of those unlikely to switch (65%).

This problem is exacerbated when looking at non-switchers' preferences for contact from lenders. Whilst those that recall receiving communications about switching from their current lender are more likely to switch in the future, often, non-switchers do not recall those communications from their current lender. Further, depth-interviews indicate that, non-switchers tend to be unlikely to act on communication received about their mortgage. This is particularly the case with standard mortgage communication – for example emails or letters. However, these approaches reflect non-switcher preferences. Of those respondents who say that a reminder or estimate from their mortgage lender would encourage them to switch, the majority (56%) would prefer to receive this communication via email. This is followed by a third (37%) that say they would prefer to be contacted by letter. Interestingly, only 3% respectively say that text or a phone call would be a preferred form of contact. While this group would prefer to receive an estimate or reminder from their mortgage lender about the possibility of switching via email or letter, depth interviews suggest that such communication alone would not necessarily provide enough motivation to get them through the actual process of switching their mortgages.

In order to effectively engage non-switchers there may be a trade-off between the preferred form of communication and the most effective communication. Depth interviews suggest that phone calls from current lenders, or prompts during customer touchpoints (for example, if a customer called to update their contact details or inquire about a service) are effective in engaging this audience.

- *"If I had the paperwork [or] an email in front of me, I could be sitting [there] with it, pencilling over what I do like, and what I would query, and then I would be able to ask you as a financial advisor, 'What does this mean?' Or, 'How does this work?' Or other things like that…I have no problems [with letters] at all… As long as I got someone who was able to talk the way you're talking to me. If I'm* *sitting reading a bit of paper and I have questions in my mind, as long as I know I'm going to get an answer to the questions, whether it's a right answer or wrong answer than I want, as long as I would be advised on it then I'd be very happy." Non-switcher (M, 55+)*

Contact about switching

Switchers tend to be more engaged with communications about mortgages whereas non-switchers tend to take no action on the back of contact.

Further, some non-switchers have an active scepticism of contact about their mortgage. For some this is because they are concerned that those contacting them may have an ulterior financial motive in advising them on their mortgage. They are particularly sceptical of brokers, financial advisors, and lenders other than their own. For others, contact about switching is viewed as an inconvenience. These non-switchers mention regularly receiving calls or emails about switching different types of products, or more generally providing financial advice and feel inundated with information.

It is worth recalling that many non-switchers feel that getting the best deal for them personally is the most important consideration if changing mortgage deals. Non-switchers also have a high amount of personal confidence when it comes to managing matters in relation to their mortgage. This often means that they want to trust their own judgement when it comes to making a decision. For some this takes the form of wanting to conduct their own research online, either through Google, comparison websites or similar sources of what they consider to be independent advice, such as Money Saving Expert and Martin Lewis.

- *"So, the driver was-, we've tended to go for fixed rates, the fixed rates run out, and you want to get on to another good deal as soon as possible." Switcher (F, 55+)*

- *"Well, we only changed deals, so our deal came to an end, our fixed rate deal came to an end, so we wanted to get on to a fixed rate again so we knew what we were paying. All of that I did online, I didn't speak to anybody during that process." Switcher (F, 18-44)*

- *"We do [receive communication about our rate changing] ...We would read it, but we don't do nothing about it." Non-switcher (F, 45-54)*

- *"I probably did [receive communication], to be honest, but it probably got chucked in a draw after giving it a quick read. I would have, kind of, looked at it, looked at what the new rate would be going forward and how much it would and just take it from there and put it to one side and maybe ignored it, to be honest. If I was to, kind of, look to change, I might dig out and read a bit more and see what options are, kind of, for changing tariffs or changing providers altogether." Non-switcher (M, 18-44)*

- *"It's like those who keep ringing you and saying you've had a car accident, or you've bumped someone with a car accident. Once they've got some basic information from whatever source, it just stays in their database. There's no point submitting a subject access request, because as soon as you submit a subject access request to find out who's got your information and what information they've got, it disappears into the ether. So, your information is out there, how they get it is probably nefarious, but they've actually got it, and they'll ring you and hound you." Non-switcher (M, 55+)*

Despite wanting to be at the centre of any decision in relation to their mortgage, non-switchers are unlikely to look for information about mortgages, and as discussed some are likely to be put off by direct contact from those they distrust or consider to be hassling them. This makes intervention more difficult. However, there are two findings worth noting.

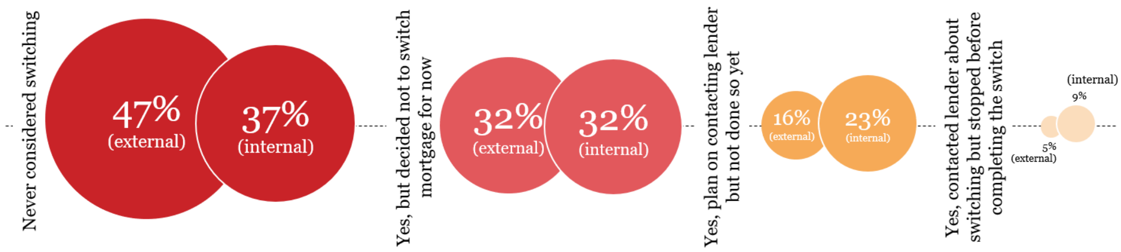
Firstly, non-switchers are more likely to be responsive to contact from their own lender, rather than other lenders or intermediaries. Given that many non-switchers are sceptical of the motives of financial service providers and feel that they rarely act in the consumer's best interest few would be receptive to a lender other than theirs directly contacting them. However, they are more likely to trust their current lender, as they can rationalise their current lender wanting to hold onto a good customer or rewarding loyalty. Whilst some would still be wary of being called directly, many would be receptive to an email or nudge whilst already on the phone or in branch about switching their mortgage.

As secondly noted, family and friends are not seen as a trusted source of information to the same extent as independent organisations, brokers and lender. However, they could provide an opportunity through which non-switchers are nudged to perform desired behaviour – particularly given that 90% of mortgage holders do switch their mortgage.

Further, often, within personal networks of family and friends, respondents note that there is typically one individual that they know to have a detailed understanding of mortgages. These individuals perceived as having expertise in mortgage matters could be used to prompt non-switchers to switch.

Barriers by phase of the switching process

Figure 19: Consideration given to switching



Q18. Thinking about your current mortgage, before today, have you ever considered switching…? Base: All respondents who are aware of switching to a new mortgage deal with current lender (n=444); all respondents who are aware of switching a new mortgage deal with a different leader (n=437).

This research has found that non-switchers face barriers to switching at various stages of the journey. Furthermore, the barriers faced by non-switchers are different at different stages of the process. The following section of the report details those barriers split out at each phase of the switching process, which we have grouped as follows:

- **Never considered switching** – Many non-switchers have not thought about switching their mortgage deal or lender before engaging in this research. Indeed, non-switchers most often fall into this category. Two in five (37%) non-switchers have never considered switching with their current lender, and half (47%) have never considered switching to a new lender.

- **Decided not to switch** – A third (32% both for internal and external switching) of non-switchers have considered switching mortgage deal or lender in the past, but actively taken the decision not to do so.

- **Plan on switching, but have not done so yet** – Some non-switchers plan on contacting their lenders about switching, but have not done so yet. One in four (23%) plan on switching internally, but have not done so yet, the figure (16%) is lower for external switching.

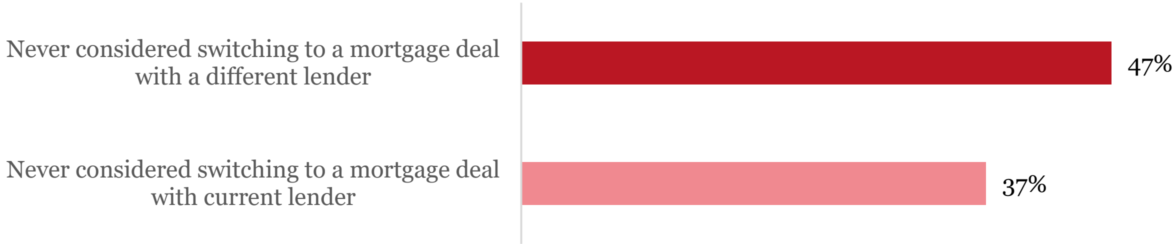
- **Started the process of switching, but have not yet switched** – Comparatively few non-switchers have begun the process of switching, and stopped short of completing the process. One in ten (9%) have begun the process to switch internally, but not finished, compared to just one in twenty (5%) for external switching.

It is worth noting that the question from which these phases are drawn do not include those unaware of switching. However, qualitative evidence suggests that they are more likely to be unsure of the process than entirely unfamiliar, and that often, these individuals face similar barriers as those in the *Never considered switching* category.

Barriers explored below may apply across multiple stages of the switching process. For example, being happy with their mortgage deal may be a barrier to taking the decision to switch as well as taking action based on that decision. However, barriers will be explored in relation to the phase where they were most often mentioned.

Never considered switching

Figure 20: Never considered switching current mortgage



Q18. Thinking about your current mortgage, before today, have you ever considered switching…? Base: All respondents who are aware of switching to a new mortgage deal with current lender (n=444); all respondents who are aware of switching a new mortgage deal with a different leader (n=437).

Research findings indicate that a considerable proportion of non-switchers have never taken the first steps on the switching journey, with many reporting that they have never considered switching (37% for internal switches, 47% for external switches). When looking at switching internally, older non-switchers (44% of over 55 year olds), and those that been on their reversion rate for longer (41% amongst those on a reversion rate for longer than 11 years) tend to be particularly likely to have never considered switching. This suggests that this audience are particularly disengaged with matters relating to mortgages.

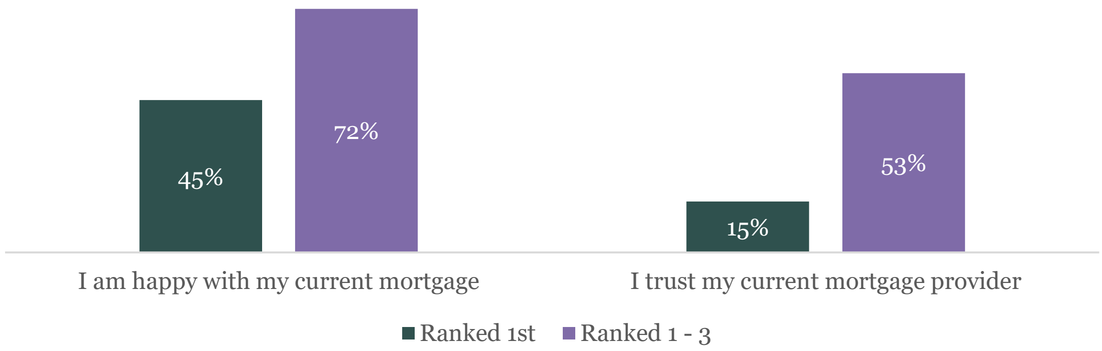
Qualitative interviews reveal a number of barriers to considering switching:

- *Non-switchers are often **content with their current mortgage deal**,*
- *Some feel that they are **lacking important information** needed to make the decision to switch*
- *Non-switchers' approach to household finances often means that **costs are quickly absorbed and then priced into monthly outgoings**.*
- *Many **do not enter their original mortgage deal with a view to switching** during the introductory period or once they are on their reversion rate.*

Content with their current mortgage deal

Despite the possibility of paying more than necessary, many non-switchers are happy with their current mortgage deal. Approaching three quarters (72%) of non-switchers say that happiness with their current mortgage is one of the top three reasons they have not switched mortgage. Further to this, more than half (53%) say their trust in their current provider is also a barrier to switching their mortgage. Indeed, these are also the most commonly selected reasons for not switching their mortgage, compared to the other statements tested.

Figure 21: Reasons for not switching mortgage
(showing top two most selected)



Q28. Which three of the following, if any, best describe why you have not switched your mortgage? Base: All non-switchers (n=589).

Non-switcher's contentment with their current mortgage deal was a prevalent theme throughout qualitative interviews, with many reporting that they are satisfied with their current payment routines. Many feel that they can afford the payments they currently make, and that there was little need to think about something that they did not consider a problem. This is also interesting in the context of non-switchers' seemingly low-threshold for 'good' financial behaviour – with some reporting that they are just happy to be making regular payments towards their mortgage, and are unwilling to 'rock the boat' as a result. Older non-switchers (84% of over 55 year olds) and those with a smaller mortgage value (less than £75,000) are particularly likely to say happiness with their current mortgage is a barrier to switching.

- *"I just think, 'Do you know what? Is it broke? Don't fix it.' [My] mortgage is being paid, [so I] just leave it. I'm on a repayment, and I've always stuck with that… I'm chipping away at [my mortgage]. Even though I know that I could potentially get a better deal, it's one of those things that I just put on the back-burner." Non-switcher (F, 18-44)*

- *"Never tried to switch. However, if the Bank of England interest rates weren't so low for the last nine years, maybe I would have looked at that, but because they are that low and everyone I've spoken, this is more friends and family, 'You're so lucky to be on their variable rate,' or whatever it's called that I'm on, my mortgage payments went down by nearly £200 a month and they stayed there. So, to me I'm in the best place possible. That's why I probably haven't rocked the boat or even thought about it … Now they are much lower and it's stayed that way I haven't had an increase at all I don't know why I would shop around." Non-switcher (M, 18-44)*

- *"[I haven't switched] because the rate that I have is tracking the base rate, and I don't believe that I would get a better deal elsewhere without going back into a fixed term again, which would ultimately cost me more in the short-term." Non-switcher (M, 45-54)*

Lacking important information

Despite feeling that they are knowledgeable about matters relating to mortgages, when non-switchers are prompted to consider the mortgage switching process many feel that they would need a great amount of detail to help them decide to switch. This information includes the likely timescales, information about the economy, mortgage market and details of specific mortgage deals including fees and charges. This is particularly the case for non-switchers that had not considered the process in the past.

- *"I'd like to have a timeline. For someone to say, if you're doing it online, it will literally, like, by this date, this is what, you know, 'You have to have this with us by this date. We'll have reviewed it by this date. We'll have it back to you by this date. Completion date this date.' I'd like a full timeline, to be, like, 'Right, this is where we're up to.'" Non-switcher (F, 18-44)*

- *"I would expect from the mortgage advisor to give me an overview of the market, of what current rates are, the best they can provide. I would also expect benefits involved with changing, as in cashback or fees paid for, stuff like that. I'd expect all that information at hand." Non-switcher (F, 18-44)*

- *"I like to look at things side by side… So it'd be great to see, 'This is your current mortgage,' and then how much you've paid off, how much is remaining, your current monthly payments, any foreseen increases. And if there's Option A you could change to, this is Option B, this is Option C, and put them side by side, so you could really see your benefits. I think just personalise stuff… As I say, selling it in part as what you can actually save on a monthly basis if you switch… I think information sheets, and infographics like that, would make it very neat, and I think if they have a switching service - which I now believe a lot of them do - they need to make that more clear, because even when I see an advert on TV, it's like, 'Yes, all good, let's save £50 a month, but I'm going to fine you £50 a month worth of pain to try and get it switched over…' and it's like, is it really worth doing?" Non-switcher (M, 18-44)*

Costs are quickly absorbed and then priced into monthly outgoings

Whilst in the depth interviews many non-switchers say they are active in monitoring household finances, just two in five (37%) non-switchers recall receiving communications about changes in their interest rate in the last few years from their lender. This means that the rise in monthly payments may be missed and then incorporated into standard monthly payments. This means that the higher cost of being on a reversion rate is quickly priced into monthly outgoings, particularly amongst those that can afford those payments. It is also worth noting that when non-switchers are on their reversion rate, often, they are not prompted again to consider switching.

- *"The money comes in, and X amount is put into a household account, just to make it easier to manage, so [my partner] puts in a chunk, I put in a bigger chunk, and then that account is used to deal with the bills, so mortgage, utilities, and a bit of childcare stuff in there. We tend to over-egg it in there, so there's always a balance. Some months are better than others, so I guess that's different days of the month, and holidays, and, 'No childcare this,' and bills are more expensive in the winter, the heating, and less in the summer, that sort of thing. That's the way we tend to organise the bills. She tends to deal with the bills side of stuff a bit more than me, from time to time, depending on work and whatever. Most stuff's set up on direct debit, so it sort of manages itself. She'll have a look at it in a bit more detail, sometimes, than I will. I'll tend to look every couple of months. She gets to know it a bit more, utilities and stuff a bit more, when she just feels like it." Non-switcher (M, 18-44)*

- *"I mean, to be perfectly honest, my wife does a lot of it. We both contribute trying to count all the bills that come out and whatever's left we sort. It's lot like, she pays* *some of it, I pay some of it and you know, ... it's just so much easier have trying to count. Everything comes out of the one pot and we keep a track of things I think that way. So, we both contribute to the decision making, so it's a case of a fairly even relationship I would say." Non-switcher (M, 45-54)*

Do not enter their original mortgage deal with a view to switching

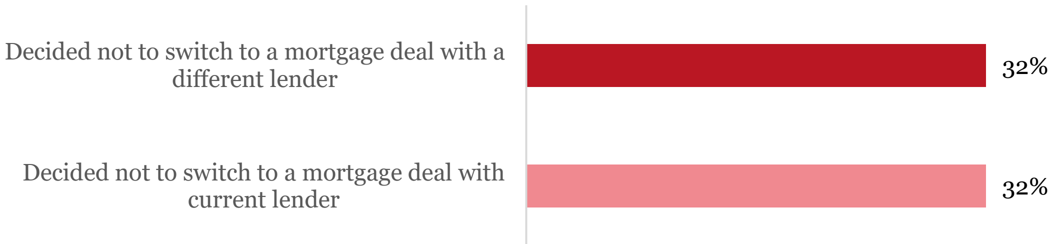
One clear difference between switchers and non-switchers is that many non-switchers do not enter the mortgage market with the view to switch often. This is a different outlook to switchers for whom the process of switching was considered before entering the mortgage process. Indeed, whilst awareness of switching is generally high amongst non-switchers, the process is often not one they have given any thought to.

- *"It's just that I've just settled into this mortgage and, you know, I haven't really looked at it, or looked at any contract I've entered into, to see if there were clauses. It's a question I've never thought of." Non-switcher (M, 45-54)*

- *As far as I'm aware you can switch, but again, it's not something I've really looked at because the current rate is tracking the base rate. You'd have to be going into another, kind of-, going through the whole thing again, and it just wasn't really of interest, you know." Non-switcher (M, 45-54)*

Decided not to switch

Figure 22: Decided not to switch current mortgage for now



Q18. Thinking about your current mortgage, before today, have you ever considered switching...? Base: All respondents who are aware of switching to a new mortgage deal with current lender (n=444); all respondents who are aware of switching a new mortgage deal with a different leader (n=437).

A third (32%) of non-switchers have considered switching – either internally or externally – but decided not to do so. Those with a higher mortgage value (36% of those with a mortgage value of over £150,000), higher annual income (37% of those with an annual income of over £70,000), or who have switched other products within the last 12 months (38%) are more likely to have considered switching, but decided not to do so.

Non-switchers give a range of reasons for dismissing switching:

- *Some non-switchers believe they are **on the best deal available**,*
- *Some non-switchers think that **switching would not be right for them**, or have experienced changes in their life circumstance that would make it difficult,*
- *Linked to the previous point, some feel they would be **rejected by lenders** (and that this may impact their credit rating),*
- *A handful believe that the **current economic or political environment is not conducive to switching**.*

On the best deal possible

Many non-switchers feel that historically low interest rates mean that it is unlikely they could find a better mortgage deal. As explored previously, for some non-switchers – particularly those that took out a mortgage before 2008 – this may be the case.

However, it is also likely that for some, relatively low engagement with matters relating to mortgages in combination with high amounts of financial confidence mean that some dismiss switching, where it is possible they could benefit financially. Indeed, during the decision-making exercise, just half (47%) select the mortgage deal that is most financially advantageous and three in ten (30%) select an option that is less advantageous. Doing this can be explained by a number of reasons, however, depth interviews, including the decision-making exercise, suggest that some non-switchers struggle to work out which mortgage deal is most financially advantageous.

- *"If the Bank of England interest rates weren't so low for the last nine years, maybe I would have looked at [switching]… I'm in the best place possible - that's why I probably haven't rocked the boat or even thought about it… I don't know why I would shop around." Non-switcher (M, 35 – 54)*

- *"I think I've got quite a good deal, rates wise…. I've settled with the fact that I have quite a good deal… I haven't really looked around since [a mortgage lender told me I was on a good deal]." Non-switcher (M, 35 – 54)*

Switching wouldn't be right for them

For some non-switchers, their life circumstances mean that switching mortgages is not right for them at this time, or they face an external restriction from switching. Due to the nature of this barrier, the reasons given are varied. For example, where some are hoping to move to a new house in the next year or so, and therefore it would not be in their interests to change mortgage deal, others may have recently gone through a separation, and are unable to pass the affordability checks for changing mortgage deals. Indeed, one common thread through many of these are life events such as redundancy, divorce, or retirement.

- *"We are toying with the idea we're going to sell the house in the next year or two, so I think I'll probably leave [switching] to that point…I don't want to get stuck with a lender if I potentially am going to sell the house and move somewhere else." Non-switcher (M, 18 - 34)*

- *"When I went to them to say I was 59 or something at the time, the mortgage has always been paid up to date, everything's all paid up and everything else, there's no arrears, and I went to say, 'Look, my wife and I have split up, can I change it, can we take off the interest-only and give me a normal mortgage?' And they went away and did the figures and basically told me no. So, if they told me no, I've sort of said to myself, 'Well, I don't think there's much room out there for me on any other plan.' I may be wrong, but that's how I felt." Non-switcher (M, 55+)*

- *"I think the scariest part actually for me, what am I now, 54, it's the length of time that I would need to have a mortgage for, which would mean that I would still have to keep working well into my seventies. That's terrifying. That's absolutely terrifying. So, then you look at less years, and then the price rockets. So, I think probably that's the scariest thing." Non-switcher (F, 45-54)*

Some dismiss the idea of changing their mortgage deal because they do not believe they would pass affordability or credit history checks. This could be as a result of changes in life circumstance, or other factors. For example, one individual was found ineligible for a mortgage in the past, and therefore has not applied to change mortgage deal since then. Another non-switcher felt that, because they had not received a pay rise since starting their mortgage, they would not be able to change mortgage deal. In this case, many do not contact their lender about switching as they are concerned about the impact of doing so on their credit rating.

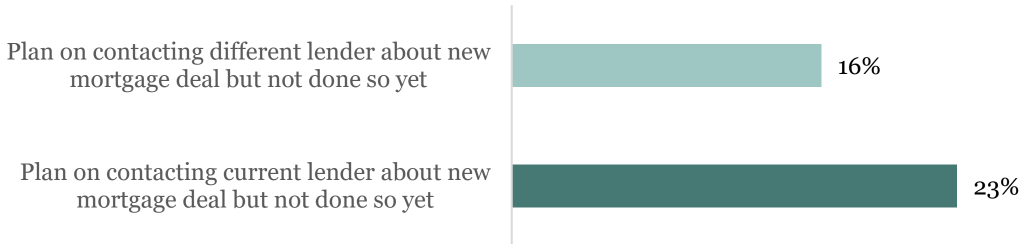
Current economic or political environment is not conducive to switching

For a minority, lack of switching behaviour is rationalised by the current economic or political environment. These individuals feel that if they switched they would be at risk of taking a mortgage deal that may not prove to be financially advantageous over the term of the product. This rationale may be reinforced by a period of historically low interest rates, with consumers used to interest rates going down more often than up.

- *"Every time I've gone to think about changing onto a fixed rate for a couple of years, I've either thought about moving, and thought I won't, or stuff's happened like Brexit, say… There was the recession. Every time I've thought about changing something, something quite significant has come up that has made me not want to lock myself in to something." Non-switcher (F, 18-44)*

Plan on switching, but have not switched yet

Figure 23: Plan on contacting lender but not done so yet



Q18. Thinking about your current mortgage, before today, have you ever considered switching…? Base: All respondents who are aware of switching to a new mortgage deal with current lender (n=444); all respondents who are aware of switching a new mortgage deal with a different leader (n=437).

A quarter (23%) of non-switchers plan on contacting their current lender to switch but have not done yet, this compares to 16% of people that plan on contacting other lenders to switch, but likewise have not done so yet. Younger non-switchers (28% of 18-44 year olds), and those that consider the switching process too difficult (35%) are more likely to fall into this category. Non-switchers give a number of reasons for planning on switching, but not having done so yet:

- *The* ***time pressures*** *within some non-switchers day-to-day life mean they have not got around to switching,*
- *Non-switchers think* ***switching will take longer than they consider acceptable****,*
- *The* ***effort of administration*** *non-switchers believe will be involved in switching has stopped them from doing so yet,*
- *Non-switchers* ***consideration of risks*** *has stopped them from switching,*
- *Some non-switchers are* ***sceptical of benefits*** *of switching.*

Time pressures

Many non-switchers say lack of time is a barrier to switching. One in six (16%) say that a lack of time is among the top three reasons they have not switched their mortgage. Younger non-switchers (23% of 18-44 year olds) are particularly likely to say lack of time is a barrier to switching. This effect may be exacerbated amongst those who are particularly time poor due to life events, or family or work commitments. It is worth recalling that one in five (20%) of non-switchers say that they often feel like they don't have enough time to plan their finances.

Non-switchers feel that time is limited in regards to conducting their own research into the options available to them, and also in sourcing all the personal documents and information needed. Indeed, some feel that they do not have enough time to look into, learn about, or begin the switching process alongside their day-to-day routines and responsibilities.

- *"I've got a feeling that would take a bit of time to actually think about it…if you want to have an advisor, it's going to be [working out] when you're free, when they're free, when my husband's home. It's just a bit of a juggling thing." Non-switcher (M, 18-44)*

- *"[The main reason I haven't switched is] the family stuff, work, setting time aside… The cynic in me says I need to invest some serious time in looking at the right deal." Non-switcher (18-44)*

- *"Having the time to research, and look into things, before you even get to the point of phoning up the bank and making an appointment. I think it's always good to sit down and research on the Internet good deals, bad deals, and things like that. So, it's having the time to do that, and then having the time to get all the paperwork needed together. Yes, just that, really." Non-switcher (F, 18-44)*

- *"Well, I know what I'd do, because I'd keep doing it and then not doing it, so I put into Google 're-mortgage', and then it will come up and there are lots of words, and I go, 'Right, okay, let's narrow this down,' so I'll then put in how much I need to re-mortgage for and see whether that narrows it down. I know there are mortgage comparison sites, again, Martin Lewis, I have looked at his re-mortgaging thing, and again gone, 'Oh, let's deal with that tomorrow,' but I think there's going to come a time where tomorrow's come, and I think I will certainly trust him." Non-switcher (F, 45-54)*

However, it is worth noting that many switchers also report experiencing time pressure of a similar extent and nature. Indeed, it may be that non-switchers are more likely to deprioritise mortgage switching in the time they have compared to non-switchers as a result of the perceived difficulty of the process of switching.

- *"The preparation prior to [switching mortgages], it is a long process. You're weekends apart to try and get all parties that are going into the mortgage together, it's a mission. You know, with working, and then is that suitable with the bank? So, it's having time, [and] the time that the bank could fit you in, that is always a problem. This goes for all the banks that we've experienced, they only have one mortgage person that is booked up for weeks in advance. Myself, having the time to sit down and really dedicate the time to it [was a barrier.]" Switcher (F, 45-54)*

- *"I suppose finding the time to be able to research, to see what is out there for them, and to understand what they-, I think especially at the moment, lots of people do not know whether to do fixed rate, variable rate, you know." Switcher (M, 18-44)*

Switching will take longer than they consider acceptable

Non-switchers typically feel that it takes a longer time than is acceptable to switch mortgages. Non-switchers anticipate that the process of switching would take a mean average of 5.1 weeks (36 days) but think an acceptable time for the switch is 4.5 weeks (31 days). This amounts to a gap of 5 days.

Notably, women anticipate that switching their mortgage will take longer than their male counterparts. Indeed, women anticipate the process taking around 5.4 weeks (37 days), whereas men anticipate this taking just under five (4.9 weeks or 34 days).

- *"[It is] massively [difficult to find time to switch], with my husband not here. His works circumstances changed in the last year… I run my own business, I manage the house, there are a lot of factors. Plus my father is poorly and my grandma is poorly, quite a few bereavements, so there is a lot going on in my world… to sit down and [look at switching]… I will end up staying on a tracker forever if I don't find time to do it. I need to physically take time out of a week where we can sit and do things like this, it's quite hard to do it at weekends, we've got too many obligations in that time." Non-switcher (F, 18-44)*

- *I graft Monday, Tuesday, Wednesday, I'm away so I can't do anything, I mean I literally can't do anything and that stresses me out sometimes. If you've got personal things to sort, personal calls to make or stuff like that or things to chase up. On a Thursday and Friday, although I'm at home I'm very busy as well." Non-switcher (M, 18-44)*

Effort of administration

An additional barrier to switching mortgages, is the perception of the administrative effort involved. Many non-switchers believe the process of switching will require considerable effort on their part, particularly with regards to finding and locating the relevant documents and information. Indeed, one in five (20%) non-switchers say that the paperwork they would need to provide would be a main consideration in this process of trying to switch their mortgage. Few provided details on what this information is beyond payslips and current account spending.

Non-switchers feel that switching externally would be particularly difficult. This is because they believe that it would mean finding and sharing information that their current provider would already have. This equated to an additional barrier to switching externally and could help to explain why more people have never considered switching to an external provider.

The sense that switching mortgages is administratively difficult may be equally bound up in the emotional memory of buying a house. Indeed, amongst non-switchers – and those that have never switched in the past in particular – expectations of the switching process are frequently based on their memories of taking out their mortgage initially.

- *"My confession two weeks ago was that [I thought] it would be a massive task, and I was really put off by the initial first-time buy. My confession now seems to be that it should be a lot easier, because you're not going through all the initial checks, and there's a lot of stuff already in place, so you should be able to do things a lot easier." Non-switcher (M, 18-44)*

- *"I just always imagined that it would be a lot of paperwork coming backwards and forwards, it would take a while to sort out." Non-switcher (F, 18-44)*

- *"It's just the thought of having to gather up all the payslips, bank statements, just stuff that, I feel like my own life is way too busy with my day to day life, plus unexpected things that happen, and I feel like that's kind of, it just puts me off, because it just seems too hard." Non-switcher (F, 18-44)*

- *"I think it was going to be more complicated if you actually went to a whole new lender. It's probably like starting again. I think if you stayed within your current lender but just re-mortgaged, obviously they've got all the information and I think if they gave you a good rate..." Non-switcher (F, 18-44)*

Those that have switched their mortgage in the last 12 months also often mention administration in relation to mortgage switching. However, they are more likely to mention it as a tedious task rather than a significant barrier to switching. Whereas, for some non-switchers it is a drain on time they often feel they do not have.

- *"I still had to approve everything and had to get all the paperwork together that I needed and send that in. But it was all online this time which I thought was really good." Switcher (F, 18-44)*

- *"Where we've previously changed to a completely different lender, because obviously this time round we've stayed with this one, there's been more paperwork that they need. With all of these we need to provide copies of salary slips or letters of employment, but I think when we've previously changed lender we've also had to provide copies of our bank accounts, so they can see money coming in and out and how we spend it...I think from a lender's point of view we're quite [a] safe bet, we're not frivolous with our money, we're not spending it excessively, so that's never worried me, but obviously again, it's a bit more work because you've got to provide the information that they're looking for." Switcher (F, 18-44)*

Consideration of risks

Some non-switchers express considerable apprehension about the various stages of the switching process. As explored previously, non-switchers tend to be risk-averse in relation to their household finances, and in particular in relation to financial service products. This is because they often feel that the implications of anything 'going wrong' with regards to finances affect day-to-day life and functioning to a greater extent than non-financial products.

For many, the size of the value of the mortgage, as well as the length of time the loan lasts for mark it out as significant. Further to this, as the purchase is of the house that they live in, the mortgage is also significant from a personal and emotional perspective. This heightens the perceived possibility of risk should anything go wrong. Given this, in the case of some non-switchers, once they have secured a mortgage and can make the monthly payments, they are reluctant to go through the stress of changing mortgage deals or switching to a new lender.

Indeed, more than a quarter (28%) of non-switchers say that they are concerned about the risks of switching their mortgage. This is particularly true of those that also do not feel knowledgeable about matters relating to mortgages (39%).

- *"For me, the main barrier [to switching mortgage deal] is my fear that I'm going to make a mistake that will have financial implications for myself. Obviously, because I'm on my own, I have no one to share these worries with or for them to point benefits or pitfalls." Non-switcher (F, 18-44)*

- *“I think that's what people's fear is, 'Is it going to change?' I think people hate change... I think people don't know enough about mortgages. The biggest worry people have is, A, paying for it, and, B, getting it. Once it's being paid, they're like, 'It's fine, it's being paid, leave it.' I think it's a fear, because they instil that into you, like, 'If you don't pay this, you're going to get repossessed,' it's such a scary thing." Non-switcher (F, 18-44)*

- *“Your mortgage that you have is the roof over your head, so there is an apprehension there and I remember how complex and how many hoops you have to jump through in order to get the mortgage in the first place.” Non-switcher (M, 18-44)*

- *“There are some companies that offer really low interest rates that you’ve never heard of, and for me that’s a big risk." Non-switcher (F, 18-44)*

- *“The barriers would be just I suppose it’s the fear of the unknown moving to another provider. Are you actually going to get a better deal?” Non-switcher (F, 18-44)*

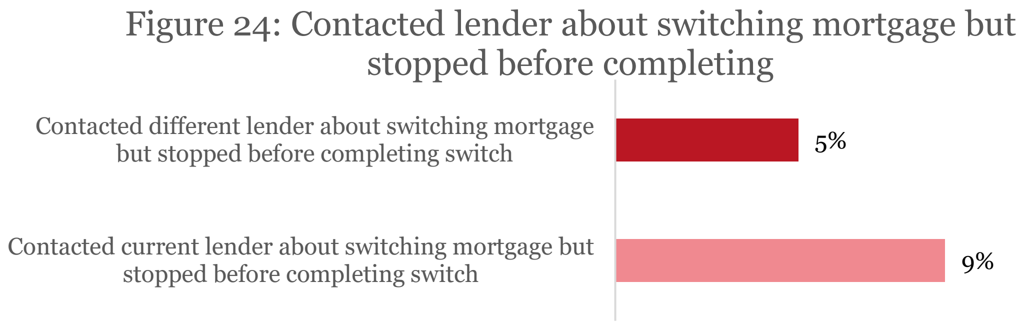
Sceptical of benefits

In addition to perceptions around risks, some of those that have not switched their mortgage are sceptical of the benefits of doing so. Often this can be traced back to distrust of financial service providers. This is because these non-switchers believe that, once you factor in the combination of fees and charges, the benefits of switching will be minimised to the extent that they are no longer sufficient encouragement to switch. Complex and technical terminology, coupled with the difficulties faced by some in working out what the best deal for them, help to further evidence the feeling that lenders typically do not act in a way that is beneficial to mortgage holders.

- *“Sometimes it’s better the devil you know. You hear from people about horror stories of moving, not reading the small print. It’s a serious thing to take on something else, and all these banks are in it to make money, at the end of the day. The cynic in me says I need to invest some serious time in looking at the right deal.” Non-switcher (M, 18-44)*

- *“One of the things that annoys me, especially with changing the mortgage, is they all slap you with £1,000 arrangement fees. Why they do that, I don’t know, because everything’s electronic. So there’s nobody sitting there doing £1,000 worth of work, it’s all touch a button and it’s all done. All that does is, invariably, people will put that on the mortgage, so that £1,000 costed out, it becomes worth £3,000 then over the course of the year. You’re basically paying triple back, maybe quadruple back, what you’ve borrowed. So, they’ll slap you with £1,000 bill at the outset, which very few people will afford to do, because they’re putting money into the house." Non-switcher (M, 55+)*

Have started the process of switching but have not yet switched



Q18. Thinking about your current mortgage, before today, have you ever considered switching…? Base: All respondents who are aware of switching to a new mortgage deal with current lender (n=444); all respondents who are aware of switching a new mortgage deal with a different leader (n=437).

One in ten (9%) non-switchers have contacted their current lender but stopped before completing the switch. One in twenty (5%) have contacted other lenders, but stopped before switching their mortgage deal. Those that have used a broker (13%), and those that have received communication from their current lender (18%), are more likely to have contacted their current lender, but stopped the process before switching. This demonstrates that brokers and contact from current lenders can help move non-switchers further along the journey to switching, even if, ultimately, the switch is not complete.

There are a number of barriers that people face during the process of applying to change their mortgage deal:

- *Non-switchers believe the **terminology is overly complex**,*
- *Linked to the previous point, some feel that the **amount of information can be overwhelming,***
- *Many find paying **high fees** off-putting.*

Terminology is overly complex

Some non-switchers think that the terminology used in mortgage deals is too technical and complicated. Specific elements that some find confusing include the use of multiple percentages, varied time periods (for example a large quantity of months), dealing with large amounts of money, abbreviated terms (such as APRC), and unexplained terms and conditions. These non-switchers say they would require an advisor, friend, search engine or expert to explain options to them in order to assess them accurately, as they had little faith in their own ability to correctly assess the numbers. For this group the decision-making exercise often takes longer, with many needing an extended period to look at the options.

- *"Possibly what a definition of what APRC is might help. I have never come across APRC." Non-switcher (M, 45-54)*

- *"So, what total, what's that going to be? The twentieth year? You see, it doesn't matter if you don't answer, it doesn't matter. You see? Alright then, classic of what I'm talking about. So why not just put the twentieth year? No, not in months. Because alright then, we worked out 63 months, 63 months, you said it's about five years. Yes, it is five years, because twelve fives is a 60, so that thing, so 213 months, if you double that, would that be the twentieth-, that doesn't even make sense? Look at that. Do you see what I'm talking about? This is why people* *stay put. This is a classic, this is a good conversation, this is why, like myself, I'll stay put." Non-switcher (F, 18-44)*

Furthermore, during the decision-making exercise, even those confident in matters related to mortgages struggle with some terms. Some experience confusion working out interest rates, which options were most cost-effective in the long term, Loan to Value ratios (LTVs) and various other elements of the exercise task. As a result, many say that they would need support or advice to make the right choices.

- *"I've got my GCSEs, I've been training all my life, but I've never really understood APRs, and I never have, so I look at this figure, which is what I've been reading on this. I don't know what an LTV 0-80% is. I don't get that. I want to know how much I'm paying based on the money I've got." Non-switcher (M, 18-44)*

- *"I think everything would have to be explained thoroughly. I think someone would actually have to spell it out, 'This is how much you would save over this much. This is how much extra you might pay when you change, but, actually, in the long run, this is how much you're going to save.' That is the only way I [would understand] if it was actually spelt out [to me]." Non-switcher (F, 35-54)*

Switchers also acknowledge that complex terminology can act as a barrier to engaging in matters relating to mortgages. However, whilst they understand that this can be a barrier for non-switchers, they do not feel that it applies to them. This is because either they themselves feel comfortable with terms such as LTVs and APRC, or they have mechanisms of overcoming discomfort with complex terminology such as the use of an advisor or advice from friends and family.

- *"I think the challenges are there are so many products it can become very overwhelming, [and] understanding what the different facets of the mortgages are, so loan-to-value, tracker rates, the rates changing, you know, after so many years going to be a higher rate, and then so many years going into a higher rate again." Switcher (F, 18-44)*

- *"I think some people might find it difficult-, I mean, if they don't understand some of the jargon they say." Switcher (M, 18-44)*

- *"I don't think there's really anything that can help them that much. I just think it's always going to feel like quite a daunting process, just because, you know, when people don't have the understanding, it's not like you can change the words, like interest, blah, blah, blah, annual, credit, like-, these are things that people can still, like, it's-, they don't understand if you're not someone like myself and you're just at home with the kids and then all of a sudden you've got like-, talking about interest and having to do maths, and you've got to work it out over a certain amount of years, it does feel like, what, you know, it's confusing. That can never be changed because that's the terminology of the process you're dealing with." Switcher (F, 18-44)*

Amount of information can be overwhelming

Many find the amount of information available to them overwhelming. The range of providers, types of mortgages, lengths of term and range of fees make coming to a clear informed view difficult to some non-switchers. Indeed, in the decision-making exercise non-switchers were presented with three different mortgage deals and some became overwhelmed by the information contained in these deals.

- *“You’d have to be savvy. You’d have to be comfortable with numbers. I mean, there’s a lot of information on there. I wouldn't even look at legal fee, contribution, valuation thing, free, it makes out they’re giving you things. Percentage rates changing. I can see it, if you're not comfortable with numbers or money or even mortgages, it’s completely overwhelming. I can see why they’d be completely baffled, I really do.” Non-switcher (M, 18-44)*

- *“I would have to have it explained to us a little bit. I don't like the idea of the fees on the last one, the fees payable, but then there's only £100 difference between, after 64 months...but if, after your initial fixed rate, you want to leave, obviously then you’ve got an early repayment charge, haven't you? So, it's so complicated." Non-switcher (F, 18-44)*

High fees

Upfront switching fees (such as arrangement, legal and booking) also elicited immediate negative emotional reactions when presented to non-switchers, even when these could be added on to the cost of the mortgage and the costs were still cheaper overall. Notably, this group would also regularly express concern about whether there would be further ‘hidden’ fees throughout the process, this relates to non-switchers wider distrust of the sector, as explored previously. In particular, this acts as a barrier for external switching, with many expecting ‘penalties’ for breaking loyalties with their current provider.

- *“I’d look at the fee that you need to pay, to begin the new mortgage. Whether you needed to pay that upfront, or whether you could add that on to the term. I mean, if you can add that on to the term it’s not such a big deal.” Non-switcher (F, 18-44)*

- *“I mean, it depends entirely on whether the fees get added onto your mortgage, or whether the fees are expected to be paid upfront, I suppose. That would, sort of, determine what I would do, as well, because paying the fees upfront would make a difference.” Non-switcher (F, 18-44)*

- *“I don’t like it when it says things like other fees. You need to tell me what the fees are. Like, what am I paying for?” Non-switcher (M, 45-54)*

- *"I’d like to know when these charges are due.” Non-switcher (M, 18-44)*

- *“I know it makes sense long-term, but sometimes it’s quite hard to come up with £1,500 suddenly.” Non-switcher (F, 18-44)*

- *"If you’re moving to a new lender, again, having to lay out £1000 or whatever it is, might initially sort of put you off if it’s swallowed up inside the rest of the costs, you might not notice it as much.” Non-switcher (M, 18-44)*

Key Drivers Analysis

Key Driver Analysis (KDA) is an advanced statistical analysis technique which provides insight into what drives attitudes towards a certain issue. In this case- the barriers to switching mortgages. A KDA identifies relationships between factors which cannot be seen through data tables or charts alone.

In order to understand the barriers to switching mortgages with the same lender and with other lenders we ran two KDAs, one on the likelihood to switch with the same lender and another on the likelihood to switch to a different lender. To understand which barriers are the most significant a number of elements from the quantitative survey were included in the model in order to test their relevance, these barriers include:

- Financial confidence,
- Knowledge of matters relating to mortgages,
- Switching behaviour with other products,
- Brand loyalty,
- Being concerned about the risks of switching,
- Happiness with current mortgage deal.

In total 34 barriers were included. For the barriers to internal switching, the analysis produced a model including five statistically significant barriers with an overall R^2 of 15%. This means that the five barriers explain 15% of the variance in responses to what makes non-switchers unlikely to switch. We then applied a Relative Importance Analysis to determine the strength of the relationship between these barriers and the likelihood to switch. These are:

- Most important: Lack of communications from their current lender about switching or renewing their mortgage deal
- Second most important: Lack of trust in mortgage advice from friends
- Third most important: Not having loyalty to their current lender would be a key consideration of switching
- Fourth most important: Lack of trust in their current mortgage provider
- Fifth most important: Knowing where to get more information about switching their mortgage

For barriers to switching externally, of the 34 barriers included a model of 4 statistically significant barriers with an overall R^2 of 21% was produced. Similarly, these four barriers explain 21% of the variance in responses to what makes non-switchers unlikely to switch with a different lender. A Relative Importance Analysis told us that the following were statistically significant and important to switching externally:

- Most important: Not including whether they could use a broker as a key consideration of switching
- Second most important: Knowing where to get more information about switching their mortgage
- Third most important: Not feeling they lack time to switch their mortgage
- Fourth most important: Not paying all bills straight after being paid

Some of these findings align with those from elsewhere in the research. For example, quantitative evidence suggests that receiving communications about switching from non-switcher's current lender increases their likelihood to switch. Further, some other findings seem plausible. For example, it seems plausible that non-switcher's loyalty to their current lender makes them more likely to switching internally, and having access to a broker makes non-switchers more likely to switching externally. However, the low R^2 of both models mean that neither are compelling.

Where research elsewhere has successfully utilised Key Drivers Analysis to understand the barriers faced by consumers to accessing or switching products, evidence suggests that for mortgages the multitude of barriers makes a Key Driver Analysis difficult. Where Key Driver Analysis looks to condense the complex into a single set of simple drivers, in this research we have found that complexity in the experiences, attitudes and barriers faced by this audience is the rule rather than the exception.

Conclusion

In this section we explored the barriers non-switchers face in changing their mortgage, which we summarised in the following way:

- *Non-switchers are typically content with their mortgage deal, and many are loyal to their current lender,*
- *Many overestimate the difficulties of switching,*
- *And underestimate the benefits of doing so.*

Considering the barriers outlined previously, a successful policy would have to:

- **Engage non-switchers in the switching process** – It is tempting to think that non-switchers may be put off by the barriers within the switching process, however, this research has found that this audience faces barriers well before engaging in this process. Indeed, the finding that two in five (37%) non-switchers have never considered switching internally, and half (47%) have never considered switching externally demonstrates that engaging non-switchers, and nudging them further along the switching process will be key to the success of any intervention. Particularly, as the current drop-out rate from the process of switching, once engaged with, is low. Further, any intervention to switch will have to surmount non-switchers' tendency to be content with their current mortgage deal.

- **Set out the case for switching** – Whilst non-switchers consider saving a significant amount of money to be a key consideration in the switching process and believe that they will save an average of £98.00 per month, for many this is not considered enough encouragement to switch. Indeed, non-switchers' main consideration for switching would be getting the best deal for them personally, this could include a significant saving, but also reassurance around other barriers they face. For an intervention to be successful, it would have to clearly address the barriers faced by the individual to switching.

- **Give individuals enough of the right information to make the decision to switch** – Non-switchers are conflicted by two opposing requirements. The scale and complexity of the decision to change mortgage means that non-switchers frequently say they require a large amount of information that can be fairly technical in nature to help them make a decision. Further, in order to address the various barriers they face, non-switchers also need to hear a range of different messages. However, non-switchers are typically unreceptive to information, particularly if it is technical, complex, or perceived as biased. Any intervention will have to navigate the narrow path of providing the right level of information without overwhelming the non-switcher, causing them to disengage.

Possible policy options

This research explored several policy options aimed at encouraging non-switchers to change mortgage deal. These options were provided by the Financial Conduct Authority with input from Savanta ComRes.

Many of the options explored are behavioural and demand side, recognising the success these tools have had in changing consumer behaviour in other areas of financial services.

It is also important to recognise that mortgage switching, in general, is high. Indeed, any policy changes aimed at encouraging switching amongst the minority of those that have not switched will have to be evaluated in the context of the majority that do switch to ensure that policy decisions have a net positive impact.

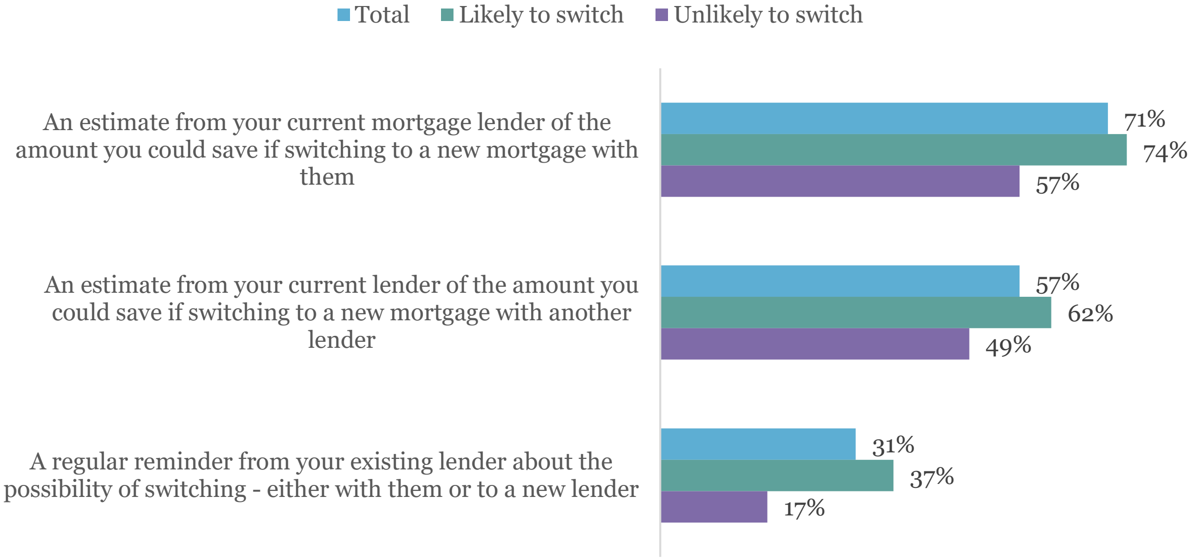
In recognition of this, during the qualitative phase, those that have switched their mortgage, (as well as non-switchers) were asked what would encourage those that do not switch to switch their mortgage. During the quantitative phase, we also asked what policy interventions would encourage non-switchers to switch. The following section will draw on the results of these questions, understanding that those with lived experience are well placed to feed into policy making decisions, and that public support is important to successful policy implementation. However, we must also recognise that there is a limit to the respondents' insight into what may encourage them to switch. As such, insights from other parts of the research will also be used to form a view of possible policy options.

Contact from current lender

The importance of the current lender in the switching process is a theme that runs through this report. As reported elsewhere, non-switchers are more likely to say they would switch internally than externally. They are also more likely to say they would switch if they have been contacted by their current lender about switching.

Often current lenders are seen as the first port of call for mortgage decision making. This can be because they are seen as trusted sources of information, as well as less likely to place barriers, such as paperwork and affordability checks, in the way of switching. This is reflected in the policy options explored in the quantitative section of the research, as three of the seven policies tested relate to contact from the current lender – two of which non-switchers were most likely to say would encourage them to switch.

Figure 25: Policies that would encourage non-switchers to switch



Q25. What would encourage you to switch your mortgage deal or lender? Base: All non-switchers (n=589).

Of the options tested, non-switchers are most likely to say that an estimate from their current mortgage lender of the amount they could save if switching to a new mortgage with them would encourage them to switch. This is true both for those that say they are unlikely to switch mortgages in the future, and those that are likely to switch (though those unlikely to switch feel less encouraged by this intervention, which is expanded upon in this section). Women (75%) are also significantly more likely to prefer an estimate from their current lender on the amount they could save than men (67%).

There is a clear preference amongst non-switchers for a policy intervention that encourages internal switching. This can be seen most clearly when comparing the number of non-switchers that say an estimate from their current mortgage lender of the amount they could save if switching to a new mortgage *with them* would encourage them to switch to those saying an estimate from their current mortgage lender of the amount they could save if switching to a *new mortgage with another lender*. The difference between the two interventions is 14 percentage points and statistically significant.

Thinking about these two very similar policy interventions, there are a number of reasons why this could encourage respondents to switch. These include that these are:

- **Easy** – As non-switchers are more likely to switch with their current lender, this intervention harnesses the power of the default option, rather than trying to change behaviour. It is also a simple message, with a clear call to action, and is therefore cognitively easy to process.

- **Attractive** – The intervention points to clear financial rewards, a key motivation for non-switchers. Further, personalising the estimate gives the saving credibility.

- **Social** – Whilst this intervention does not utilise friend, family or colleague networks around the non-switcher, it does place the individual non-switcher at the heart of the decision, this individual is the one they most often see as knowledgeable about matters relating to mortgages.

- **Timely** – This intervention would make the individual in question consider the immediate costs and benefits of their action or inaction, as the saving would imply a cost to not switching.

Further, these interventions could help non-switchers to overcome some of the barriers this audience mention in relation to looking into switching their mortgage:

- **Perceived lack of incentive** – Many non-switchers are unconvinced that they would be able to save a significant amount of money through switching their mortgage, either because they feel they are already on a good deal or because they feel that through a combination of fees, and payments for evaluations their savings would be reduced. Indeed, the complexity of the product helps to contribute to the uncertainty around how much they would save. Giving non-switchers an estimate of their saving would clearly quantify how much they would save, eliminating this uncertainty.

- **Too many choices** – For many non-switchers, the number of possible mortgage options is overwhelming, particularly considering the variance of mortgage types, lenders, and associated fees and terms. Giving non-switchers a binary choice reduces the cognitive load and could make it easier for them to switch.

- **Lack of cognitive space** – Non-switchers typically mention having busy lives, including full time jobs, children and hobbies. When it comes to finances, many say there is frequently a limited capacity and time available to engage, and often more time sensitive financial matters are prioritised ahead of switching. This intervention cuts the perceived amount of time a non-switcher would need to invest in the process as it takes away the need for non-switchers to get in touch with their bank and work out how much they could save.

- **Confidence** – A key findings of this research is that non-switchers are content with their mortgage, and that this is a barrier to them switching. This intervention does not aim to explain to them why they should not be content, or educate them, it demonstrates that they could save.

However, there are also a number of concerns about the interventions involving contact from current lenders about the amount they could save. Respondents may be selecting this answer because it is the least invasive, rather than what is most likely to encourage them to switch. Indeed, the effectiveness of this policy is further complicated by a logistical concern. Those that say that a reminder or estimate from lender would encourage them to switch most often say that an email (56%) or letter (37%) is their preferred method of contact. However, we found that few took action based on the literature they received from their financial service providers.

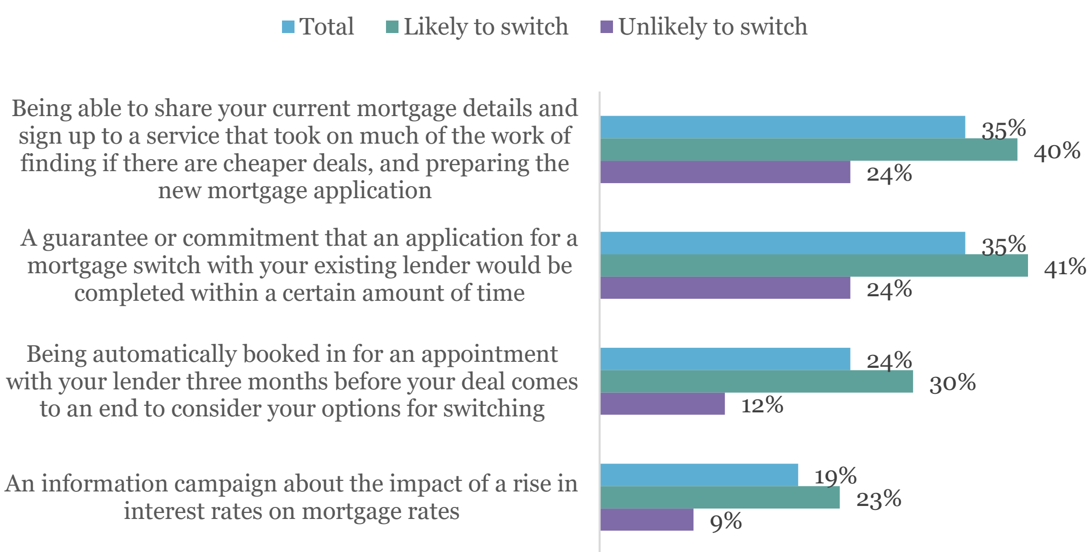
As with others tested, these interventions are most likely to encourage switching amongst those that are already most likely to switch in any case. It is less effective amongst those that say they are unlikely to switch.

Non-switchers already believe that they are likely to save if they switched their mortgage deal or provider. Indeed, non-switchers expect a saving of £98.00 per month if they switched. It is therefore likely that this intervention would only work if the estimate meets non-switchers view of the minimum saving that would encourage them to switch, which is £120.00 per month. One way of addressing this is targeting engagement with those that are likely to need less of a financial incentive to switch, for example those on lower incomes (those earning less than £40,000 require a minimum saving of £83.00 to switch). An additional consideration is that, if the saving is likely to meet the minimum that would encourage this audience to switch, the intervention could not just emphasise the benefits (though pointing to possible savings) but mitigate the difficulties of switching. This can be done by for example by reassuring non-switchers that the timescale for switching will be shorter than they currently believe or that amount of paperwork involved would be less than anticipated.

Whether this intervention would be more impactful if the saving was given as a monthly or annual amount was not tested in this research. However, there are findings elsewhere in the research that support both hypotheses. As non-switchers tend to manage their household finances on a monthly basis, they may find it easier to evaluate this saving in relation to their household finances if it is given as a monthly amount. However, we have also seen that whilst non-switchers expect to save money through switching, the monthly amount they expect to save is less than what they say would encourage them to switch. Non-switchers may therefore be more likely to switch if given the saving as an annual amount as the cumulative saving would more clearly demonstrate the significant savings it is possible to make when switching. Compared to other interventions that include contact with non-switchers' current lender, few say that a regular reminder from their lender about the possibility of switching - either with them or to a new lender – would encourage them to switch. This may be because awareness of the switching process is already high, and whilst regular reminders may raise the salience of an action, non-switchers typically do not appear to act off the back of communications from lenders. Indeed, this research suggests that reminders could easily be integrated into the monthly or annual set of information about financial products that does not lead to action. Further, this intervention does not address the over-estimation of difficulties within the mortgage process, or under-estimation of benefits from switching.

Other options

Figure 26: Policies that would encourage non-switchers to switch



Q25. What would encourage you to switch your mortgage deal or lender? Base: All non-switchers (n=589).

In this section we will explore interventions that include contact from entities other than non-switchers' current lender or indeed, no contact at all. Through doing so, we find that both absence of contact and mandated contact appear to be less effective than a nudge from non-switchers' current lender.

Interventions including no contact with non-switchers (the provision of a service that helps people to switch, a guarantee on the length of time it takes to switch and an information campaign about mortgage rates) are seen by non-switchers as less effective than those involving being contacted by their lender. This may be because, whilst non-switchers want to feel as if they are driving decisions in relation to their mortgage, they tacitly acknowledge that they would be more likely to switch if contacted by their lender. Indeed, it is worth remembering that many have never considered switching before, and many assume that the financial benefits of switching are not enough to encourage them to switch, therefore providing a service or a guarantee on switching times does not engage respondents or give them sufficient reason to act.

On the other hand, automatically booking non-switchers into an appointment three months before their introductory deal comes to an end is not seen by non-switchers as very effective in encouraging them to switch. Whilst this intervention would be timely, and uses an effective messenger (their current mortgage provider), many non-switchers would be put off by the mandatory element of this intervention, as often this audience feels time poor, and wants to feel that they are in control of the decision to switch.

Conclusion

Despite facing a great number of different barriers at the various stages of the switching process, non-switchers have a clear set of preferences when it comes to intervention to encourage them to switch. These include:

- **Contacted, but not mandated** – Non-switchers have full and rich lives. Many are aware of the switching process and feel capable of engaging with it, even if their understanding of that process is limited. An intervention that fits into their busy life and empowers non-switchers to make the decision to change mortgage deal themselves is more likely to resonate with this audience. An intervention that disrupts that life, or places a perceived cognitive load onto non-switchers is likely to be off-putting.

- **Current lender** – Non-switchers express a clear preference for being contacted by their lender, and say they are more likely to switch with this organisation in the future. Distrust of other organisations is likely to be high as non-switchers are wary of the ulterior financial motives of other financial service organisations.

- **Financial incentive** – Non-switchers' motivations to switching are primarily financial. The monthly repayments were most often considered the most important factor when choosing a mortgage deal and saving a significant amount of money is one of the most important considerations for switching in the future. Demonstrating a clear financial incentive to switch, and ensuring that it is credible to non-switchers, is likely to be persuasive to this audience.

With these clear set of preferences come two key caveats:

- **Trade-offs** – Any intervention will have to balance non-switchers' preference for a reduction in cognitive load and addressing their concerns about the switching process. Many non-switchers want to feel more engaged, and access detailed information about mortgage deals, particularly given the scale of the loan. However, evidence shows that they are unlikely to want to engage with matters related to their mortgage. A key example of this is non-switchers preferences for contact. Most often this audience prefers contact via email or letter, however, quantitative evidence suggests that non-switchers are unlikely to recall communications received via this type of contact, let alone act upon it.

- **Consideration of other barriers** – The only consideration that is more often mentioned than saving a significant amount of money is getting the best deal personally. Whilst what unites non-switchers, often, is a desire to save money, what divides them are all the other barriers they face towards switching. This is particularly important as many non-switchers are already aware that they can benefit financially from switching, they feel that this incentive is not enough to encourage them to switch. If they are correct in this regard, other barriers they face will need to be addressed in order to encourage them to switch. If this is the case, intervention requires a more nuanced, multi-faceted approach.

We recognise that, particularly for this audience and in relation to mortgages, attention is a scarce commodity. Helping non-switchers to overcome all of the multitude of barriers they face within a singular interaction is therefore unlikely. Instead any intervention should be focused on the three key points that summarise the barriers that non-switchers face:

- Non-switchers are typically content with their mortgage deal, and many are loyal to their current lender,
- They typically overestimate the difficulties of switching,
- And underestimate the benefits of doing so.

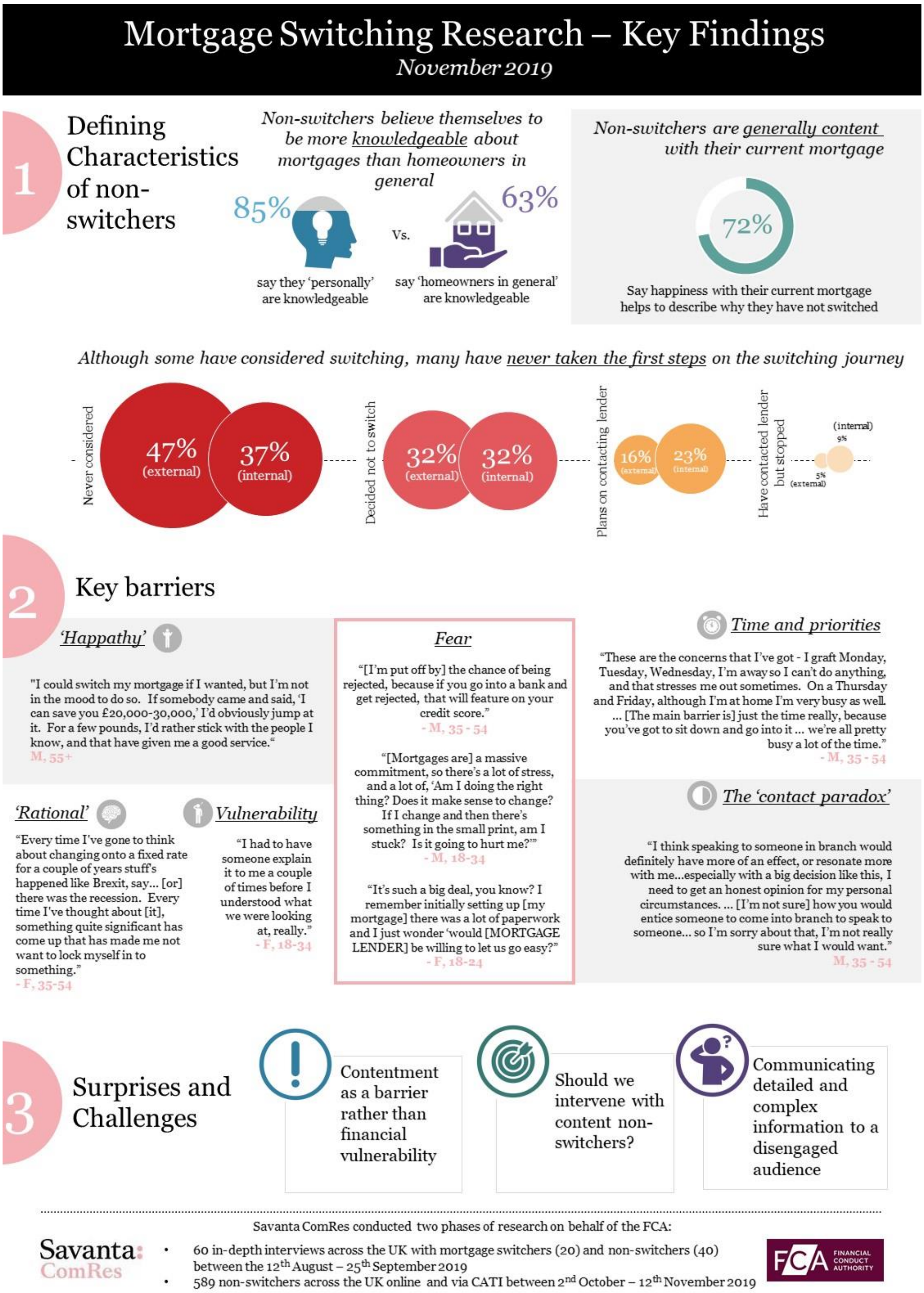
Given these findings, we feel that an intervention that provides non-switchers an estimate from their current lender of the amount they could save if they switched internally would be the most effective solution. Whilst non-switchers most often prefer an email or letter, we believe that encouraging mortgage providers to harness the power of consumer touchpoints to encourage switching could be more beneficial. This could be achieved through pointing out any saving they could make in instances of interaction, for example, if a consumer was to call or go into a branch and discuss another financial product or change their address. However, we recognise that lenders may lack an incentive to do this. In absence of use of consumer touchpoints, a combination of emails, letters and also phone calls from their current lender would be most likely to be effective.

In order to address non-switchers overestimation of the difficulties of switching, we believe that lenders could provide an estimate of the amount of time it would take to switch internally. This will serve as a proxy for the ease of the process, and also reassure those that say they lack time to switch.

It is important to note that, although these interventions should encourage non-switchers to change mortgage deal, this research also suggests that interventions are most impactful amongst those already likely to switch. These interventions would, therefore, most likely leave a number of non-switchers on their reversion rate.

Appendix one

Below is a key findings poster prepared by Savanta ComRes ahead of an internal workshop with the Financial Conduct Authority, that aimed at developing creative policy solutions to the mortgage switching challenge.



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