

Remortgage – Pros + Cons

A remortgage is releasing equity from your home. This could be by remortgage, secured loan or 'equity release'

Pros

- A remortgage will be one single payment which puts all debts and your mortgage into one.
- The interest charge for a secured loan is typically lower than that applied to unsecured credit agreements.
- You may be able to find a new mortgage with terms that are more suitable to your current situation. Monthly payments on your remortgage will usually be much less than combining your unsecured debt and current mortgage payments, taking away any difficulties with keeping up each month.
- You may be able to get a lower interest rate and lower payment than you have with your current mortgage.
- Once you have paid your debts in full/settled your debts there will be no risk to your assets from the creditors you have paid.
- Once all of your debts are paid in full/settled no recovery or legal action will continue. Until such time if you currently have any recovery or legal action this may not be suspended or withdrawn. If legal action starts to recover debts prior to the repayment/settlement of your debts this may result in further cost to you.
- Paying your unsecured debts using the funds obtained from a remortgage should have no direct risk on your employment contract.
- Paying your unsecured debts using the funds obtained from a remortgage is not a matter of public record.

Points to consider

- You may end up paying more over time by moving unsecured debt amounts to your mortgage – lower interest rates on a remortgage spread over a longer period of time can result in you paying back much more than you would by keeping debts unsecured over a shorter term.
- When remortgaging, you may incur an early settlement charge ('Early Redemption Charge') as you will be paying off your current mortgage before the end of its term.
- Old spending/borrowing habits could continue – for example, once you have cleared your credit cards by remortgaging, you should ensure that you destroy the cards or your spending/borrowing may continue on these leading to a similar situation in future.
- Your home is at risk if you do not keep up with your mortgage payments.
- Once you have secured a remortgage the funds you receive will need to be offered to your creditors. If you do not receive sufficient funds to pay back your debts in full you may require creditor approval to pay reduced settlement offers to them.
- If you are in a position where you have unsecured debts we always advise you to check your employment contract before pursuing any solution. If you have concerns regarding the specifics of your employment contract please seek independent advice on this matter.
- You may not have enough equity in your property to pay off all of your debts. In this instance if you pay settlement amounts to your creditors lower than the total repayable this will be reflected on your credit report. This may adversely impact your credit score.
- Only debts that you pay in full or settle with funds obtained from the remortgage will be repaid. Any other debts will remain outstanding.
- Remortgaging to pay off debt could affect you remortgaging/moving house in future. Mortgage rates may rise in future, and extending your mortgage now could lead to you being offered higher rates when remortgaging/buying in future.
- There are risks of failing to continue to pay priority bills which could result in loss of access to essential goods or services or repossession of, or eviction from, your home. A list of these bills and potential consequences of non payment is given below:

| Priority Bill Type | What if you don't pay? |
|--------------------------------|---|
| Mortgage or secured loan | Lose your home |
| Rent | Lose your home |
| Council Tax | Visit from Bailiff, money taken from wages, imprisonment, bankruptcy, debt secured against your home (homeowners only), money taken from benefits |
| Child maintenance | Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits |
| TV licence | Fine |
| Magistrate's Court fine | Visit from Bailiff, money taken from wages, imprisonment, money taken from benefits |
| Tax, VAT or National Insurance | Visit from Bailiff, money taken from wages, bankruptcy, County Court judgment (CCJ) |

| | |
|-------------------------------|--|
| County Court judgment | Visit from Bailiff, money taken from wages, debt secured against your home (homeowners only) |
| Gas or electricity | Disconnection, County Court judgment (CCJ), money taken from benefits |
| Water | County Court judgment (CCJ), money taken from benefits |
| Hire purchase or logbook loan | Lose your goods, County Court judgment (CCJ) |
| Telephone | Disconnection, County Court judgment (CCJ) |

- There are potential consequences of not continuing to make repayments under credit agreements or consumer hire agreements. This could include County Court judgements (CCJ), a visit from bailiffs, money taken from your wages or benefits, debt secured against your home (homeowners only) or a creditor petitioning for your bankruptcy (if you owe more than £5,000 to a single creditor).
- You should not ignore correspondence or other contact from lenders, and those acting on behalf of lenders, as this may result in the consequences listed above or lead to you incurring further costs.