

## INDUSTRY INSIGHTS

# Borrowers earning over £70k are still having problems securing a mortgage

If you are fortunate enough to earn an above-average income, the conventional wisdom suggests that lenders are keen to provide a mortgage for your new home. However, one of the greatest paradoxes in the mortgage industry is that many successful people find it just as hard to secure a mortgage as those on modest or average incomes. Why is it that those earning above £70,000 are finding it difficult, and what can the industry do about it?

## ZERO HOURS CONTRACTS

According to the Office for National Statistics, shortly after the coalition government took office in 2010, the number of people on zero hours contracts rose significantly. It reached a peak of around 900,000 at the end of 2016, and fell back slightly to around 850,000 at the end of 2018.

The proportion of the workforce on zero hours contracts also increased, varying between 0.4 per cent and 0.8 per cent from 2000 to 2012, before rising to a peak of 2.8 per cent in 2016. Many people don't associate a zero hours contract with high earners. However, if someone is on a very healthy income and is

self-employed, many lenders assess their income in precisely the same way.

If income is not guaranteed and there is no fixed-term employment contract, they could be classified by many lenders as being on a zero hours contract. A classic example of this very scenario is a barrister. Qualified barristers in private practice with around five years' experience can earn anything from around £50,000 to £200,000 per year. For those with over ten years' experience, earnings can range from £65,000 to £1,000,000. Yet barristers in private practices can struggle to find a lender willing to help.

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**Source:**

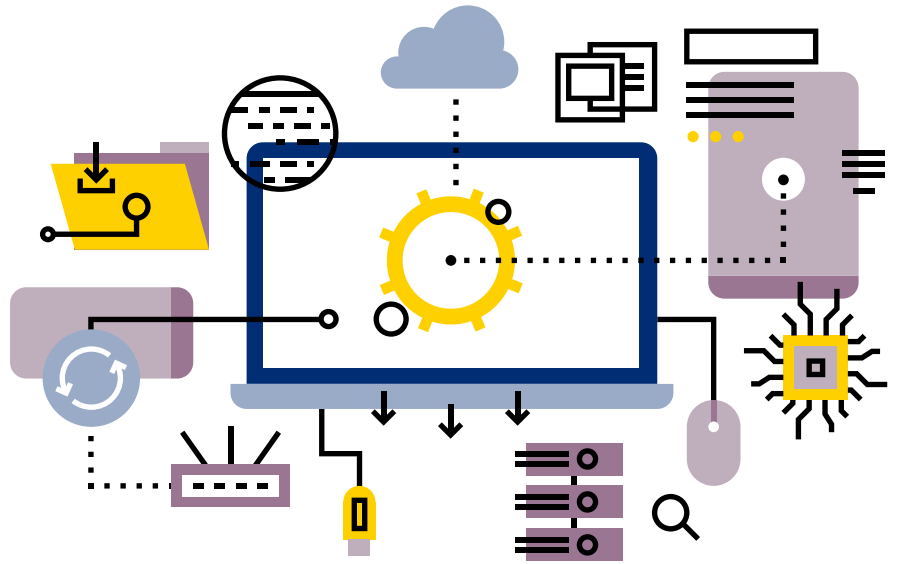
Zero Hours Contracts: [fullfact.org/economy/employment-since-2010-zhcs/](http://fullfact.org/economy/employment-since-2010-zhcs/)  
Barrister Salary: [prospects.ac.uk/job-profiles/barrister](http://prospects.ac.uk/job-profiles/barrister)

# TECHNOLOGY IS A BARRIER

Technology will have an important role to play in the future of the industry, however, unless it works hand-in-hand with common sense and experience, it becomes a barrier. We have seen an increase in the number of higher earners coming to us after experiencing major difficulties in trying to secure a mortgage elsewhere. The most recent example was one of our customers who is one of the world's leading performance psychologists and an expert in high performance. His skills have helped six sports people get to the top spot and he delivers leadership programmes at board level for organisations all around the globe.

He was looking to remortgage his house to buy a new property, had accounts which showed year on year growth for many years and he had never missed a mortgage payment in twelve years. He explained that none of the lenders he had talked to would look at his situation because he 'did not fit their computer algorithms'. We worked with the broker and the customer to get a full perspective on his application and history. One of the main questions our underwriters asked was: "Is this individual going to struggle to find work in the future?"

This made it an easy lending decision for us. While there was no evidence of an employment contract in place, after talking to the customer it was clear that his experience, reputation and personality would make future employment problems unlikely.



## THE IMPORTANCE OF ANALYSIS

As the political and financial outlook remains volatile, we believe that brokers will play an increasing role in the mortgage industry. We think complex applications will increase and the experience of brokers will be invaluable in offering the right advice. What they need from lenders, particularly when dealing with wealthier customers with complicated income sources, is the freedom to apply common sense and experience. Currently, most of the industry relies mainly on the inflexible rules set by computers rather than taking the time to understand applications from a holistically affordability perspective.

We have definitely seen a rise in the number of brokers coming to us with cases of high earners facing challenges in getting funding for their new homes. They are often frustrated and baffled by the reasons for rejection. Higher earners need specialist support. Brokers able to understand the complexity of this group, working with experienced lenders, will almost certainly increase their income potential over time.



by Sarah Howe, Chief Executive,  
Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.