

Debt Management Plans (DMPs)

Frequently asked questions

Q What is a Debt Management Plan/Program?

A A DMP is a *non-legally* binding agreement between your customer and their creditors. The customer makes regular payments to a licensed debt management company which then shares the money out between the creditors.

A DMP should not be confused with an Individual Voluntary Arrangement (IVA) which is a *legally* binding agreement between your customer and their creditors. An IVA will normally last for 5 years, during which time the customer will be expected to pay what they can afford outside reasonable living costs. An IVA is set up by a licensed professional called an Insolvency Practitioner (IP). All unsecured debts must be declared in an IVA and failure to keep up repayments could result in the customer entering a bankruptcy order.

Q How are DMPs registered on a customer's credit profile?

A Debt management companies will never register anything directly with credit agencies. However, creditors within the DMP may choose to do so. This could be done at any point within the DMP. If the debt is sold on, debt recovery companies may also register debt management for a partial or full part of the debt. It is therefore not unusual to see multiple debt management plans on the credit profile as there may be multiple creditors registering as part of the DMP.

Q What questions should I ask a customer to identify if they are, or have been, part of a DMP?

A The customer would have contacted a third party provider to arrange a DMP and will have agreed a monthly payment with this company. The company will have negotiated reduced payments with the individual creditors. If the customer is not aware of a DMP, it is possible that it has been registered in error by a creditor, rather than an 'arrangement to pay'. This will need to be corrected and registered as an 'arrangement to pay' on their credit profile before they can be considered for a product from Precise Mortgages' residential product range.

Q What if a customer has closed a DMP and has decided to pay their creditors directly?

A If a customer has set up a DMP and then decided to leave it and make individual arrangements directly with their creditors, Precise Mortgages cannot lend to them until the debts have been satisfied for a minimum of 3 years. This is because they cannot demonstrate that a DMP has been conducted satisfactorily with the DMP company. The only exception to this is when a customer's DMP company has ceased trading. In this situation we may consider lending to them on a case by case basis.

Q What if a customer has a DMP with a company which has ceased trading and they have had to make arrangements directly with their creditors?

A Precise Mortgages will consider lending to them. The customer must be able to prove that they continued to pay the creditors every month following the last payment to the DMP company. For example, if the DMP company ceased trading in November, we would need to see payments to creditors from December.

Q What if a customer's credit profile shows a DMP, but they have never entered into a third party arrangement with a DMP company?

A There are a growing number of debt recovery companies and lenders that have inaccurately registered an 'arrangement to pay' (AP) as a DMP. In order for Precise Mortgages to lend, this must be removed from the customer's credit profile and re-registered as an AP before we can accept an application.

Q Can a customer move from one DMP company to another if the rates being charged are cheaper?

A Yes, if the DMP is still active. A DMP reference or statement from both DMP companies covering the last 12 months will be required and there cannot be a break in payments between the old and new company. For example, if the last payment to the old DMP company was in August, the September payment must show as being paid to the new DMP company.

Q Can a customer apply for any Precise Mortgages' residential product?

A No. Where the DMP has been active in the last 3 years the customer will only be accepted on specific products. Once the DMP has been satisfied for more than 3 years, they can apply for any of our core residential products subject to the usual score, affordability and underwriting checks.

Continued overleaf

Q Can a customer have a Buy to Let (BTL) mortgage with Precise Mortgages if they have entered into a DMP?

A The DMP must be satisfied for more than 6 years if the customer wishes to access Precise Mortgages' BTL product range.

Q Can a customer have a Help to Buy (HTB) mortgage with Precise Mortgages if they have entered into a DMP?

A Yes. We allow active and recently satisfied DMPs (within the last 36 months) on specific products.

Q A customer is using Right to Buy to purchase a local authority/housing association property and they have a DMP. Is that an issue?

A The DMP would need to have been satisfied for a minimum of 3 years before Precise Mortgages will consider.

Q How long does a DMP have to be in place before a customer can apply to Precise Mortgages?

A An active DMP should be in place for a minimum of 12 months before Precise Mortgages can consider an application.

Q When can an application proceed on standard criteria rather than DMP criteria?

A When the DMP has been satisfied for more than 36 months, the case can proceed on standard criteria and terms.

Q Does the DMP have to be satisfied at completion of the mortgage with Precise Mortgages?

A No, DMPs can be taken as a monthly commitment on some of our products (please see our relevant product guides for further details). If a DMP is not satisfied on completion this will be included in our affordability assessment.

Q Can the DMP be satisfied at completion and will there be a charge?

A Yes, an offer condition can be added to ensure the conveyancer repays the debt management company. Any charge should be discussed with the solicitor acting for Precise Mortgages. A typical fee will be £25 per item. Please negotiate directly with the conveyancer the customer has chosen.

Q Will the CCJ and default rules still apply for a DMP application?

A Yes, the customer will still need to satisfy our CCJ and default policy to be considered.

Q What if a customer's credit profile is showing more than one DMP on it?

A When there are two or more creditors showing on the credit file, it must be clearly demonstrated that these creditors are all part of the same DMP. An exception can be made when two single people are buying a property together for the first time and they have both had individual DMPs in the past.

Q Can a customer have had adverse since the DMP was registered?

A Yes. The adverse will need to fit within our standard allowable adverse policy and will be subject to credit score and full underwriting checks.

Q Can a customer with an active DMP apply for a second charge loan?

A Yes, providing the DMP has been active for over 12 months with no missed payments. Any application will be subject to our standard second charge lending criteria and individual product requirements, full details of which can be found on our website.

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