

A guide to Debt Management Plans (DMPs)



What is a DMP?

A debt management plan is a non-legally binding agreement between your customer and their creditors to repay their debts. Regular payments are made to a licensed debt management company who then allocate the funds to each of the creditors. In order for Precise Mortgages to consider lending to a customer with a DMP we will need to establish that it has been satisfactorily conducted.

Criteria

Active DMP

- ▶ The DMP must have been active for a minimum of 12 months.
- ▶ The DMP does not need to be repaid on completion but must be included as a monthly commitment on application.
- ▶ Debt Arrangement Schemes (DAS) are acceptable and will be treated in the same way as a DMP (Scotland only).

We will require a DMP reference from the provider to include:

- ▶ Date of agreement
- ▶ Amount outstanding
- ▶ Details of all creditors including lender, account number, payment and balance
- ▶ Confirmation that the last 12 months' payments have been paid on time.

DMP satisfied less than 36 months ago

We will require confirmation from the debt management company of the date the DMP was satisfied and that it was repaid in full. Satisfied DMPs do not need to have been active for a minimum of 12 months.

DMP satisfied over 36 months ago

Standard lending policy applies. Please refer to our Residential Criteria Guide for further details.

Key information

Credit reference

- ▶ A DMP company does not register anything directly with credit reference agencies, but creditors within the DMPs may do so. We will need to be able to establish that any DMP shown on the credit file are part of the arrangement in place with the DMP Company.
- ▶ On occasion debt recovery agencies inaccurately register an 'arrangement to pay' as a DMP. This must be removed from the customer's credit profile and registered correctly before we can accept the application.

Paying creditors direct

- ▶ If a customer has set up a DMP and then decided to leave it and make arrangements directly with their creditors, Precise Mortgages cannot lend to them until the debts have been satisfied for a minimum of 3 years as we are unable to establish satisfactory conduct.
- ▶ Any payments direct to the creditors will be seen as a break in the agreement between the customer and the DMP Company, this includes if the debts are paid off in full directly with the creditors or if the DMP Company have gone into liquidation.

Moving DMP provider

- ▶ If a customer has switched DMP providers we would require reference statements from both companies to cover the last 12 months. If however, there has been a break in payments during the changeover we will not be able to proceed.
- ▶ If an applicant has to move provider due to the DMP Company going into liquidation, we will need evidence to confirm that payments have been made each month during the changeover.

Other Adverse Credit

- ▶ Applicants will still need to satisfy our CCJ and default policy when a DMP is in place (details can be found within our Residential Product Guide).
- ▶ Applicants can have further adverse that has been registered since the start of the DMP, but this will need to fall within our allowable adverse policy and be subject to credit score and full underwriting checks.

DIP tips

1

The DMP needs to be entered into the 'Adverse' section of the DIP, under 'IVA/DMP'. For joint applications, only key the DMP for the main applicant to avoid duplication.

2

Add the DMP into the monthly commitments section of the DIP as a credit card or loan. If the DMP is to remain after completion, this should be entered as not being satisfied.

3

If any debt within the DMP did not default before being added to the plan, the debt will need to be keyed into the commitments section of the DIP as being satisfied on completion.

In order for us to make a full assessment of a DMP application please provide a fully completed DMP Submission Form and, where possible a copy of the applicant's DMP reference/statement with the application. This can be uploaded to the case with any other documents on submission.

We can provide literature in large print, Braille and audio tape. Please ask us for this leaflet in an alternative format if you need it.

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