

Mortgages

Borrowers stuck on 7% default rates as Land Registry backlog 'beyond a joke'



Written By:



Paloma Kubiak

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Posted:

28/03/2023

Updated:

28/03/2023

Homeowners remortgaging their properties are coming off cheap fixes onto standard variable rates of 7% because of big delays – of up to two years – at HM Land Registry (HMLR).

In some cases, HMLR confirms it is taking up to two years for applications and registrations to complete, but processing times vary significantly, depending on the type of application and whether or not it requires a new register.

Samuel Mather-Holgate, independent financial advisor at Mather and Murray Financial, says: "Many clients who purchased new build properties two years ago are now shocked to realise their properties have still not been registered with Land Registry due to delays with the service.

"This could impact them by not being able to remortgage to another lender, who requires this registration. Two years ago, fixed rates could have been as low as 0.99% depending on the deposit offered, and if homeowners want to wait until their property is registered to remortgage, this could mean moving onto a standard variable rate, many of which are 6.99% now."

Data from Moneyfactscompare reveals the average SVR (as of 1 March) stood at 7.12% but could be higher when it comes to the April figures.

Mather-Holgate adds: "Real turmoil comes if the homeowners want to sell their property, and in most cases they can't. They have to sit and wait."

HELP TO BUY ISSUE

There's also a cost impact for Help to Buy homeowners. Geoff Hall, head of residential conveyancing at Gordon Brown Law, says: "With regard to the remortgaging of former new-build properties there can be an added complication if there is a Help to Buy equity charge as clients need to get a valuation as part of the repayment process. This has a limited shelf life and if the property is not yet registered, this can give rise to an additional valuation fee having to be paid to comply with the Help to Buy rules."

Victoria Mortimer, client services director at Integrar – which carries out around 60,000 remortgage transactions a year – estimates around 3% are delayed because a previous transaction on the property has not yet been registered.

She says: "A lot of homeowners, especially first-time buyers take out short-term mortgage products and are therefore looking to remortgage within two years of their purchase. The delayed registrations mean property owners cannot remortgage when their current product comes to an end and are going onto very high SVR payments, and waiting on the Land Registry.

"Some are even experiencing their mortgage offers expiring and, in a market where mortgage rates were increasing, they could only secure a new offer at a higher rate."

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DEEDS, SHOCKING AND BEYOND A JOKE

Gary Boakes, director at Verve Financial, says the delays "are shocking and costing customers money and options".

Boakes says: "Two years ago, I helped a lovely couple buy their first property with Help to Buy. Due to credit issues we used Precise [specialist lender].

"Two years later, their credit has improved and we started a remortgage with NatWest five months ago, giving us plenty of time. Due to the Land Registry issues, we are now on a Precise SVR of 7.5%. The stress on my customer has been terrible."

Meanwhile Gary Bush, financial adviser at MortgageShop.com, says the situation "is beyond a joke".

He says: "For new build homes to not be registered when clients' initial two-year fixes come to an end beggars belief and the Housing Minister needs to set up a review of this situation. It's causing a number of consumers to revert to the lender's variable rate when ideally we should have been able to move them straight onto another fixed rate deal."

Emma Jones, managing director at Whenthebanksaysno.co.uk agrees. "It is unreasonable to expect people to sit on SVR as well as manage the cost of living. If we left a client on SVR for two years, we would be held accountable by the Ombudsman. This should be the same."

WHAT SERVICE DOES HM LAND REGISTRY PROVIDE?

It's all to do with property and land registration, information, prices and ownership details.

The service is important because it shows ownership of the property and is evidence a property owner will present when they carry out future legal dealings with their property, such as mortgaging and refinancing, according to Mortimer:

"The new lender will need to see evidence the property owner actually owns the property before the lender will provide the money," she says.

Hall adds: "In the past, deeds consisted of a bundle of old documents – however since about the late 1980s compulsory registration was introduced meaning all transactions relating to a transfer of land or a remortgage have to be registered. So now the deeds effectively consist of the Land Registry entries.

"It not only deals with a change of owners, it also registers the mortgage(s) (if any) that the owners have over the property. This provides security to the lender and cannot be removed without the lender agreeing to remove the mortgage from the Land Registry register.

"Where a client remortgages their property, the old mortgage is removed from the register and the lawyer registers the new one at Land Registry. The issue is that in some cases the deeds and first mortgage are not yet registered in the owner's name with the purchase mortgage registered, therefore there is no evidence that firstly the owner owns the property and secondly whether there is a registered mortgage.

"This causes concern to both the property owner and also the lender who needs to be sure they can enforce the mortgage in the case of non-payment."

The **Land Registry charges fees** on a sliding scale based on the value of a property and the type of registration.

HOW LONG ARE REGISTRATIONS TAKING AND WHY IS THERE A DELAY?

Hall says prior to Covid, registration of a new-build could take anything from six months upwards.

"Since Covid, the situation has become far worse and most take 12 months-plus and we have many cases which have been at the Land Registry for more than two years."

He says the firm deals with at least one call per week from a client who is experiencing difficulties as a result of registration delays.

"I am certain Covid caused working difficulties and backlogs, as it did for most businesses temporarily. The Land Registry doesn't seem to have bounced back as quickly as others have in some areas. The general feeling in the industry is that it might be under resourced. It's certainly possible that a lot of the experienced staff who could deal with unregistered land/new-build may have retired or left. I am uncertain how, or if, that knowledge pool has been replaced."

HMLR receives approximately 18,000 requests to change the register per day which it aims to process "as quickly as possible". This includes information service requests such as official searches and copies, critical for conveyancers when it comes to finding information relating to a property. You can view the estimated time frame relating to different services via this [update on processing times](#).

In one area it deals with, HMLR says that a lot of these applications include more errors and omissions, with between 55% and 65% of applications requiring clarification or further information, which delays the application.

WAYS TO CUT THE WAITING TIMES AND OPTIONS FOR HOMEOWNERS

HMLR confirms that legal ownership rights are secured from the moment the application is received, not the point at which it is processed and completed. "Every application we receive protects the transaction it is registering from the day we receive it. So, if there is no urgency, please wait for us to contact you."

However, there are ways to cut the queue wait time or the cost once a fixed deal matures.

Product transfer

Justin Moy, managing director at EHF Mortgages, says for the majority of borrowers, "I would expect a **product transfer** to be helpful".

He says: "Most are priced around the same as leading remortgage deals, but if you have a need to refinance elsewhere then this is not a good position to be in."

Moy adds that many of the main mortgage lenders have a 'no-early repayment charge' **tracker product**, "giving you a reasonable deal in the short-term with the ability to remortgage later in the year without any further penalties".

Fast track

For Scott Taylor-Barr, financial adviser at Carl Summers Financial Services, while the issues have impacted very few of his clients, for those who have been affected, the Land Registry has a fast-track team who can get properties registered or title documents amended in about two weeks. But this is only if the conveyancer has proof that not using the fast-track process will have a detrimental outcome for the client.

He says: "So far, it's worked well and allowed clients to avoid costly delays caused by the backlog, but it is a sticking plaster solution; the Government needs to get a handle on the situation and fix the problem properly."

This is echoed by Riz Malik, director at R3 Mortgages, who says the effects of the "old system" have caused delays in his clients' efforts to refinance, so their lawyers have had to expedite their cases.

HMLR confirms that if an application becomes urgent – for example, if a homeowner is looking to remortgage their property and has an expiring mortgage offer – it can **expedite an application** on request for free. It expedites more than 1,000 cases daily with 95% processed within 10 days.

Hall explains: "The Land Registry will look at the application within 10 days to establish whether they will accept the request for an expedite. Once accepted the case will be processed. However, there is no timeframe placed on completion of the application, with completion depending on factors such as complexity."

But for Kundan Bhaduri, property developer and portfolio landlord at The Kushman Group who buys dozens of properties every year (and remortgages many of them within a year), he says: "I have found HMLR to be amongst the more professional Government departments with an excellent customer service team. Agreed, HMLR has a massive backlog, but if one calmly explains the situation to them (eg: imminent remortgage or sale of a property), they will often ask for evidence and expedite the registration of title, making it a lot swifter.

"I am talking from experience having done this on dozens of cases. But please do not use this for frivolous cases, as it clogs up genuine expedition requests."

WE APOLOGISE FOR ANY INCONVENIENCE THIS MAY CAUSE

In the update on process times, HMLR says it has increased its overall caseworker resource by around 1,000 in the last few years, including over 500 in the last two years alone to help process additional cases.

An HM Land Registry spokesperson adds: "In 2021/22, we saw an unprecedented boom in the property market, which led to a significant increase in applications to HM Land Registry, which in turn had an impact on our processing times. Despite exceptionally high and sustained levels of demand, HM Land Registry has continued to deliver the essential services required to support the property market.

"In 2021/22, HM Land Registry received 39.4 million service requests. We processed over 135,000 service requests or applications to change the Land Register every day, 14% more than in 2020/21. While our overall output is higher today than it was three years ago, we have still not been able to keep pace with the rapid increases in applications we've been receiving.

"We know that other post-completion applications, such as registering the ownership of new-build properties and major infrastructure projects, are taking longer than our customers would like and we do apologise for any inconvenience this may cause.

"Improving speed of service is the top priority for HM Land Registry and we are addressing this urgently through a combination of recruitment, training, tactical deployment and automation."


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