

# The hidden costs of homeownership in County Durham

@CA\_CODURHAM

County Durham is a unitary authority in the north-east of England, with a population of 513,200<sup>39</sup>. It is part of the larger ceremonial County Palatine of Durham, along with Darlington (the largest town in the region), Hartlepool and Stockton-on-Tees. Since 1997, these three settlements have acted as unitary authorities, independent from Durham County Council<sup>40</sup>.

Deprivation across County Durham is extremely varied, with the most deprived part of the county (Woodhouse Close Central) ranking as the 102<sup>nd</sup> most deprived locality in England, and Neville's Cross South the 32,094<sup>th</sup> (out of a total 32,844)<sup>41</sup>. House prices in County Durham are also extremely diverse, ranging from an average high of £390,315 in Wynyard, to an average low of £73,918 in Ferryhill<sup>42</sup>.



Figure 10: Typical street in a County Durham mining town

The housing market in County Durham continues to suffer in the aftermath of recession, with the north-east being the only region in England whose house prices have continued to fall over the past year<sup>43</sup>.

This research project focused on understanding the problems faced by owner occupiers in County Durham. In particular, we sought to explore whether a hidden crisis of homeownership exists in the county's

lower-income households. Research that explores the lived experiences of homeownership in parts of the country such as County Durham that are vulnerable to both falling house prices and relatively low rates of pay compared to the national

<sup>39</sup> Durham County Council. 2011. 2011 Census- First Data Release.

<http://www.durham.gov.uk/media/1227/2011-Census-First-Data-Release/pdf/2011CensusFirstDataRelease.pdf>

<sup>40</sup> The Durham (Borough of Darlington) (Structural Change) Order. 1995.

<http://www.legislation.gov.uk/ukSI/1995/1772/contents/made>

<sup>41</sup> Durham County Council. 2011. 2011 Index of Deprivation Report.

<http://www.durham.gov.uk/media/1291/Index-of-Deprivation-2010-Report/pdf/IndexDeprivation2010Report.pdf>

<sup>42</sup> Rightmove.com. 2015. <http://www.rightmove.co.uk/house-prices-in-County-Durham.html>

<sup>43</sup> Land Registry. 2015. *House Price Index April 2015*.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/424293/HPIReport20150428.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/424293/HPIReport20150428.pdf)

average<sup>44 45</sup> have been comparatively under-explored, with housing research often tending to focus on the social rented sector. We therefore feel that our project makes an important contribution to better understanding the often overlooked struggles of owner-occupiers.

## Methodology

We conducted in-depth qualitative interviews with eleven owner-occupiers across County Durham, many in former mining communities. Ten interviews were conducted face-to-face in participants' homes, and one participant was interviewed by telephone. Participants were recruited through County Durham Citizens Advice, with the help of our mortgage rescue team who referred clients to our researchers.

We used in-depth, semi-structured interviews. This was an appropriate method for the project as the interviews enabled a good rapport between researcher and participant. Participants could raise issues that the researcher may not have considered when compiling questions, and simultaneously ensured that all key research themes were addressed. The qualitative nature of our work was an important way to gain a thorough insight into the complex and multiple ways in which owner-occupiers are struggling.

## Findings

Our research uncovered two key recurring issues for owner-occupiers in the county; the struggle to *retain* and the struggle to *maintain* their homes.

### Retain

The first key problem faced by homeowners that emerged from our research was the struggle to *retain* their homes. Most of our participants were in mortgage arrears and had multiple other large debts. Some participants were at very serious risk of their homes being repossessed in the near future, and were struggling to sell their properties in a stagnating local housing market.

One participant, Peter, suffers from memory loss and other health problems following a car accident in 2001. He and his partner Doreen, who also has long-term health problems, told us about the stress and anxiety caused by their ever-growing mortgage arrears. They cannot afford the mortgage on their home. They also have a second property, left to Doreen by a family member, which stands empty. They had hoped to rent it out but were refused permission by their mortgage lender. They have fallen into arrears due to their deteriorating health leaving them unable to work. As well as struggling to keep up with mortgage costs, Peter and Doreen have also been sliding into debt with utility bills and council tax, and say that their

---

<sup>44</sup> Office for National Statistics. 2014. *What are the average earnings where you work?*  
<http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc126/>

<sup>45</sup> HMRC.2012. *Personal Incomes Statistics 2010-11*.  
[http://webarchive.nationalarchives.gov.uk/20140206164735/http://www.hmrc.gov.uk/statistics/personal-incomes/tables3-1\\_3-10.pdf](http://webarchive.nationalarchives.gov.uk/20140206164735/http://www.hmrc.gov.uk/statistics/personal-incomes/tables3-1_3-10.pdf)

local council has been unwilling to negotiate a payment plan with them. They have been trying desperately to sell the houses, and both have been on the market since 2012 but remain unsold. They have also been refused permission by their mortgage company to rent out their empty house, as they are deemed too high risk. This cuts off a potentially valuable income source. As a consequence, Peter and Doreen have resigned themselves to the fact that both properties will be repossessed. They have chosen to use mortgage arrears as a coping strategy by no longer attempting to make any payments towards either house, instead using their limited resources to move into privately rented accommodation. Peter commented that they plan to *'hand back the keys when we move in a couple of weeks, and will use bankruptcy proceedings to deal with our debts'*. For Peter and Doreen their mounting debts, and the fact that any means of reducing these debts have been closed off to them, has meant that their only realistic option has been to accept that they will lose their home and take matters into their own hands by using what little money they have to rent privately.

Another participant, Jimmy, is also resigned to the fact that he will lose his home soon. He has ever spiralling mortgage arrears that have been exacerbated since he was made redundant from his job as a forklift driver in 2014. He believes that his total mortgage arrears are currently at around £4,000. His partner has since left him, he feels in part due to the stress caused by his mounting debts. He also has a large amount of other debt, including a bank overdraft of £3,000 (which has been passed to a debt collection agency), and £700 in council tax arrears. Since the loss of his job and the breakdown of his relationship, Jimmy has suffered from severe depression and anxiety, and has been self-harming as a consequence. Whilst he says that the deterioration of his mental health is rooted in a mix of causes, *'a big part of it is my housing situation'*. He feels that his growing arrears had a severely negative impact on his relationship, and he has also been struggling to maintain a healthy diet on what little money he has, which is especially worrying as he is diabetic. He has been able to borrow some money from family members in order to pay off some debts and pay for essentials such as food, but knows that this too will need to be paid back eventually. He cannot see any permanent way out of his situation, stating that *'I feel lost about what I can do'*.

For some participants, their main coping strategy when faced with spiralling mortgage arrears and other debts, and when employment is either unavailable or inappropriate, has been reliance on family and friends for financial support. Graham, for example, remarked that without assistance from his father he would not have been able to pay off some of his priority debt arrears. Whilst these participants have been relatively lucky in having family members who are able and willing to assist them financially to some extent, this is certainly not the case for everyone struggling to retain their homes. As is echoed in Jimmy's story, without assistance from families and communities many feel that there is nowhere that

they can derive support from to help retain their homes and pay for basic necessities such as food and utilities.

## Maintain

The second key issue to emerge from our research was the extent to which people are also struggling to *maintain* their homes. All but one of our participants' homes are in urgent need of maintenance. In some cases this is having highly adverse effects on residents' health and wellbeing. For example, leaking roofs and extensive damp are causing chest infections and exacerbating existing conditions such as arthritis, and poorly insulated homes cause utility bills to skyrocket, leaving many facing fuel poverty as a consequence.

One couple, Cyril and Anne, recounted how they had come into problems when their boiler failed and they did not have the £5,000 needed to replace it. As Anne's severely ill father lives with them, it was urgent that they installed a new boiler as

soon as possible, as his condition would deteriorate rapidly in such a poorly heated environment. They were both highly concerned for his health, and feared that they would not be able to look after him properly without a replacement boiler. They applied for a Social Fund loan, but were told that they would not be able to borrow the full cost of the boiler. Fortunately, they were given grants from two charities and they were finally able to install a new boiler. However, had they not been

lucky enough to secure these grants, they would have been left with a poorly heated home, and consequently a severely ill member of the household, with no means of improving their situation.

Another participant, Graham, who during his interview said that he was generally happy with the quality of his home, went on to remark that his entire house needs rewiring. This will cost around £2,500. He previously had to save up for several years before he could replace old, poor quality windows with double-glazing. In the meantime, he had to struggle with the choice between a cold, draughty home, or extensive fuel bills.

Most participants' homes were formerly social housing stock (either council or housing association). Many already needed considerable maintenance work before they were sold. For example, Steve and Carol bought their home from the Council in 2001, paying £11,900. They then took out a mortgage for a higher amount of £14,000 in order to complete necessary maintenance work such as replacing



disintegrating doors and windows. They have been trying to repair and maintain the property ever since, but are struggling financially in part because of the extent of the work that needs to be done. This has been particularly difficult since Steve has been unable to work in recent years following two heart attacks, leaving them reliant on Steve's Employment Support Allowance and Carol's unreliable zero-hour contract work. This sudden change of circumstance has left them unable to make any more of the necessary improvements to the property, and their situation is now highly vulnerable as a consequence. As Steve commented, *'sometimes it only takes one spanner in the works'*.

### **Moving on? Housing aspirations**

Despite the hardships faced in the struggle to maintain and retain their homes, some participants were determined to remain where they were, and felt that ultimately they were still better off as homeowners than as renters. One participant, Colin, stated that he would feel disheartened should his home be repossessed, as he thinks of his house as *'my own little nest egg'*. Cyril and Anne, too, despite struggling to pay their mortgage and other debts and their property being in a severe state of disrepair, are ultimately happy where they are, with Anne describing it as their *'grow old house'*.

For Mary, too, her decision-making seemed hard-wired around an assumption that homeownership is always the best tenure option. Her home was an ex-council property that she bought from the Local Authority in the early 2000s through the Right to Buy scheme. Both long and short-term reasons lay behind her decision to buy. In the long-term she wanted something to leave her sons in her Will, and in the short-term had calculated that mortgage payments would be slightly less than the rent, and wanted the freedom to install a new kitchen. After nine years of homeownership, the loss of employment and relationship breakdown culminated in spiralling mortgage arrears, which meant that Mary was eventually forced to sell her home. When deciding to buy her home, Mary had not fully considered the fact that once the property was no longer social housing she would be responsible for all maintenance and repair costs, something she could no longer afford following difficult changes in her circumstances.

However, some participants in owner-occupied homes did feel that social housing would be the best option for them. Robert has learning difficulties and struggles to keep up with bill payments and maintenance. He said that he would like to live in social or supported housing, as he finds the responsibility of maintaining his home by himself very difficult. However, he said that no appropriate social housing has become available in his local area, and he feels it would ultimately be counter-productive to move away from his community and emotional support networks. Indeed, the importance of family and community networks was mentioned by all of our participants. This highlights local connections as a central decision-making factor for many County Durham residents when choosing a home.

Unusually, Mary did manage to secure social housing after her employment, financial and relationship circumstances led to her falling into mortgage arrears. She was threatened with repossession and was eventually forced to sell her home. She commented that she has been far happier and felt more secure since the move into the social rented sector, and that ultimately social housing, rather than owner-occupation, was the best tenure option for her. She is now able to manage her finances more easily, and is far less likely to ever again go through the trauma of losing her home.

## Conclusion

Our research highlighted the hidden crisis of homeownership in County Durham, in particular focusing on the struggles of owner-occupiers to both *retain* and *maintain* their homes. This report emphasises the fact that homeowners are more vulnerable to financial hardship than may be first assumed. In fact, to paint a national picture, 2011 statistics show that in England, one in six heads of household in owner-occupied homes were not in full time work, and that 500,000 of the poorest homeowners in England spent more than a quarter of their net income on interest-only mortgage repayments<sup>46</sup>. The English Housing Survey 2013-14 also revealed that 2.8 million owner-occupied households<sup>47</sup> in England failed to meet the decent homes criteria used in social housing<sup>48</sup>.

Vulnerability in homeownership appears to be disproportionately likely for people who experience unexpected changes in their circumstances due to loss of employment, the onset of ill health, or relationship and family breakdown. Indeed, nearly all of our participants had suffered at least one of these traumatic life changing events.

When compared to the safety nets available for social renters, owner-occupiers are left vulnerable. Among our participants, there appeared to be a heavy reliance on financial support from family, friends and charities, which potentially makes owner-occupiers particularly financially vulnerable. If they do not have access to these support networks they are likely to fall all the harder. As one of our participants, Steve, commented *'if you're living in social rented housing and your hours get dropped there is help there for you. If you've got a mortgage you can't do anything.'* The vulnerability of struggling homeowners has been exacerbated further by the ending of Government mortgage rescue schemes, and the fact that the Government's existing Support for Mortgage Interest (SMI) scheme (which provides financial support for interest on mortgage payments only), can only be accessed after applicants have been in receipt of benefits for 13 weeks. It is concerning that during this prolonged period of time without support significant arrears can

---

<sup>46</sup> Palmer, G. 2011. 'Mortgage re-possession', *The Poverty Site* <http://www.poverty.org.uk/84/index.shtml>

<sup>47</sup> Compared to 1.3 million households in the private rented sector

<sup>48</sup> Department for Communities and Local Government. 2015. *English Housing Survey Headline Report 2013-14*. [http://www.natcen.ac.uk/media/837181/english\\_housing\\_survey\\_headline\\_report\\_2013-14.pdf](http://www.natcen.ac.uk/media/837181/english_housing_survey_headline_report_2013-14.pdf)

potentially build up. The SMI scheme is also only available for a maximum of two years for applicants in receipt of Jobseeker's Allowance. The already limited help available for homeowners is set to be reduced further with the ongoing roll-out of Universal Credit. With Universal Credit homeowners who are in work, no matter how low their income or few their hours, will no longer be eligible for any Government mortgage support.

For many, owning a home is a positive decision, providing comfort, security and protection. However, the myth that owner occupation is the most appropriate option for all, or that homeowners are somehow immune from housing hardship must be debunked. For some County Durham residents, the dream of homeownership has turned into a nightmare, with ever mounting mortgage arrears and other debts leading to an inability to retain and maintain their homes. This is all the more concerning when we consider that interest rates have been historically low since 2009. Therefore, when interest rates do inevitably rise, so too does the likelihood of increased mortgage debt and home repossessions.

We feel that housing policy, across the national, regional and local scales, should better reflect the needs of struggling homeowners. For example through the extension of mortgage support schemes such as Support for Mortgage Interest (SMI) to include people in low-paid work as well as the unemployed (as has been previously also been suggested by the Joseph Rowntree Foundation<sup>49</sup>). We would also like to see a more responsive and reactive mortgage market that is, for example, more open to mortgage extensions for older homeowners, in light of increasing national life expectancy. Our research has also highlighted the need for Government to commit to building more secure homes across *all* tenures, both owner-occupied and privately and socially rented. It is fundamental to fixing the national housing market that central and local Government alike take into account the complexity and variation of local housing issues, and that decision-making around house-building and tenure type accurately reflects and addresses local needs.

---

<sup>49</sup> Wilcox, S and Williams, P. 2013. 'Building an effective safety net for homeowners and the housing market', *Joseph Rowntree Foundation*. <http://www.jrf.org.uk/publications/safety-net-home-buyers-housing-market>