

Adverse Credit and the Mortgage Application Journey

Bluestone.
mortgages

The definitive source on adverse credit, tracking the life events that get in the way of homeownership

For intermediary use only

A history of adverse credit can have an enormous impact on people's confidence and their health, with those in debt three times as likely to report that their health is bad.¹ This, combined with fear of rejection can make them nervous of starting the mortgage application journey.

The main reason why those with adverse credit find themselves rejected by highstreet lenders is because their credit profile doesn't fit the traditional mould. Mainstream lenders often decide that people will struggle with mortgage repayments if they have missed payments in the past. There is often little, if no, room for negotiation. If someone's credit profile doesn't tick the boxes in the underwriting process, they face a "computer says no" response, without an investigation of their current financial situation.



Rejection and Discrimination

Missed payments are becoming more common as the cost of living crisis continues. This means more people are slipping into adverse credit and then facing the prospect of not being able to get a mortgage. Our research revealed **nearly three in 10 (29%) adults** - the equivalent of 14.8 million people - have **struggled to get a mortgage** due to previous blips in their credit history.

When we delved further, we found that one in seven (14%) of consumers have been turned away by a mortgage lender in the past. This figure increases to 38% for those with adverse credit.

The impact is emotional as well as financial. Nearly a fifth (18%) of consumers feel they have been discriminated against by lenders due to their credit history. This number sharply rises to more than half (51%) amongst those with adverse credit history, and is having a significant impact on people's confidence in securing a mortgage.

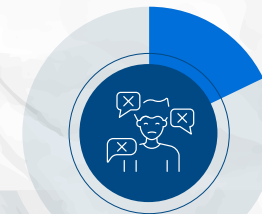
¹ <https://www.health.org.uk/news-and-comment/charts-and-infographics/how-debt-can-affect-health-during-the-cost-of-living-crisis>

WHAT CONSUMERS SAY:



29%

say their **past credit history** has impacted their ability to **obtain a mortgage**



18%

say they **have felt discriminated** against by lenders due to their credit history

THIS RISES TO 51% FOR THOSE WITH ADVERSE CREDIT.

Top Takeaway for Brokers



It is our responsibility to champion these consumers, ensuring they receive the support and resources they need to improve their credit history and achieve their homeownership goals. Together, we can make a significant difference in addressing the disparities in mortgage accessibility for those with adverse credit.



Ryan Davies,
Strategy Director,
Bluestone Mortgages



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Consumer Confidence

More than a quarter (28%) of those with adverse credit are **not confident** at all that they will be able to secure a mortgage in the future, marking their confidence level as just **1/10**. To put this into perspective, it was only 12% of consumers with healthy credit who responded that their confidence was this low. Conversely, **24% of consumers are completely** confident in their ability to secure a mortgage, compared to just 5% of those with adverse credit.



The Potential Power of Guidance

Our findings highlighted a **lack of signposting in the industry**, with respondents unsure of what their options were. Over a quarter (26%) of those whose mortgage application was declined weren't offered access to a specialist lender.

With missed payments on the rise and consumer confidence down, brokers must be prepared for the growing number of adverse credit customers looking for specialised support and direction.

Brokers have a key role to play in signposting these customers when appropriate to specialist support, but also in **offering advice** as to how people can improve their credit scores. An expert voice could be the nudge that they need to take action in a situation in which so many of our respondents are feeling lost and unsure as to what to do next.



The research also shows that **those with adverse credit don't feel confident** in their ability to secure a mortgage.

When asked whether consumers knew how they could **improve their credit score**, responses included:



Paying bills on time



Get a credit card and make regular payments



Using Experian



1/4

of customers with adverse credit whose mortgage application was declined, **weren't offered access to a specialist lender.**

28% of those with adverse credit are **not confident at all**, scoring 1/10, compared to 12% for the average consumer.



28%



24%

24% of consumers are **completely confident in their ability to secure a mortgage**, compared to just 5% of those with adverse credit