Paying the Mortgage?

A Systematic Literature Review of Safety Nets for Homeowners

Karen Croucher, Deborah Quilgars, Alison Wallace, Sally Baldwin and Lisa Mather

Department of
Social Policy and Social Work
THE UNIVERSITY of York

ESRC EVIDENCE NETWORK:
SYSTEMATIC REVIEWS IN
SOCIAL POLICY AND SOCIAL CARE

E·S·R·C
ECONOMIC
& SOCIAL
RESEARCH
COUNCIL

Evidence NETWORK

Paying the Mortgage? A Systematic Literature Review of Safety Nets for Homeowners

Karen Croucher, Deborah Quilgars, Alison Wallace, Sally Baldwin and Lisa Mather

University of York

2003

Published by:

Department of Social Policy and Social Work
University of York
YORK YO10 5DD

Website: http://www.york.ac.uk/spsw

ISBN 1 874797 62 5

Acknowledgements

We wish to acknowledge the support of the ESRC who funded the University of York to conduct the project *Systematic Reviews in Social Policy and Social Care* in order to empirically test and develop the methodology.

Thanks are due to Sue Edwards, Professor Janet Ford, Alan Holmans, Paul Howarth, Dr Amanda Sowden, Peter Williams, and Sarah Wilson for their expert advise, to the staff of the CML/BSA library and publications section and Ruth Dowling of the Social Policy Research Unit who were of enormous help in tracing some of the literature. We are also grateful to Lynne Lonsdale and Jane Allen who prepared the report, and to Roger Burrows for assistance with interpreting some of the economic papers.

Contents

Tables and Figures

Executive Summary

In response to the increasing requirement for public policy to be evidence-based, the Economic and Social Research Council (ESRC) has funded a programme of research projects to examine how evidence based policy can be generated in a number of social policy areas including public health, housing, education, and the criminal justice system. Beyond developing the evidence base in policy areas, a key aim of the programme is to develop and refine the methodologies required for the identification, appraisal and synthesis of evidence.

Systematic reviews, developed in the education field, have been commonly used for assessing the benefits of health interventions. However the method is at a developmental stage within social and public policy. This systematic review is intended to demonstrate how the method of systematic reviewing can be applied to a complex policy area. The review has sought to collate and synthesise current evidence relating to interventions that are intended to support mortgagors in financial difficulties, and to determine ‘what works’.

Sustainable homeownership is a key housing policy goal. Owner occupation is a diverse tenure, and mortgagors are exposed to a range of risks that may result in a loss of income, including unemployment, relationship breakdown, sickness or an accident. Current safety net provision relies on both public and private provision to assist homeowners who are unable to work. There is some concern that the present public-private partnership does not cover the range of risks that mortgagors may face in meeting mortgage commitments. The review considered four ‘safety nets’ for mortgagors in unforeseen financial difficulties: Income Support for Mortgage Interest (ISMI), Mortgage Payment Protection Insurance (MPPI), other types of private insurance and flexible mortgages.

Review methodology

A systematic review aims to provide a comprehensive and unbiased summary of available evidence on a given topic. This is achieved by the use of a clearly defined search strategy to ensure that an extensive range of potential sources of evidence is explored. In addition the use of explicit criteria to appraise the quality of the evidence ensures that only robust evidence is synthesised in the production of the final review.

A review protocol was drawn up at the outset of the research detailing *a priori* decisions about the selection and appraisal of studies, the search strategy, and data synthesis methods. The review process was also guided by an Expert Panel with members from regulatory bodies, government agencies, consumer organisations, and academics specialising in safety net research and review methodologies. Chapter Two and supporting appendices present a detailed account of the review process.

The question addressed by the review was:

How effective are public and private safety nets in assisting mortgagors in unforeseen financial difficulties to avoid arrears and repossessions?

Public and private safety nets were defined as formal interventions that offered financial assistance and came into play when income was lost. A set of study selection inclusion and exclusion criteria specified the geographical scope of the review (UK), as well as the date of studies (1988 onwards), the type of study design to be sought, and quality appraisal methods.

A detailed search strategy was devised. Eighteen electronic databases and internet sites (trade associations, regulatory authorities, government departments, academic institutions and the trade press) were searched. Thirty one experts were consulted by letter. Key journals were hand-searched. The reviewers also used the extensive resources of the Council of Mortgage Lenders/ Building Society Association library.

The search process produced 2221 references. Once duplicate references were removed, 1832 studies remained. Of these, 765 were generally relevant to the review. Once the specified inclusion criteria were applied, 43 studies remained. Of these, 22 studies met the quality criteria and finally entered the review. Information was extracted from each study in a uniform manner, using a series of questions related to the structure, process (access and delivery issues) and outcomes of the interventions. The data were synthesised according to this format, to provide a narrative account of the findings.

Income Support for Mortgage Interest: key findings

Twelve of the twenty-two studies included in the review examined the effectiveness of the ISMI safety net, either exclusively or, in the case of five studies, alongside MPPI. Only four of the studies were conducted following the introduction of the ISMI 1995 restrictions.

Structure of safety net

- Only a third of mortgagors would qualify for ISMI due to the means-tested nature of the benefit; however ISMI covers a wider range of eventualities than private insurance (e.g. relationship breakdown).

- The vast majority of ISMI claimants (and a higher proportion in the late 1990s compared to pre-1995) experience shortfalls in their ISMI payments; the single largest reason for this is the Standard Rate of Interest being lower than the interest due to the lender.

Accessibility and acceptability of ISMI

- Studies show that mortgagors were generally unaware or had poor knowledge about the ISMI system.

- Overall, qualitative studies indicated some support for a state system, though some felt that the state should not help homeowners purchase a capital asset, whilst others felt the same assistance should be available to renters as owners.

- Early qualitative work indicated that some people were resistant to making a claim due to the stigma involved in receiving benefits.

- Whilst there was broad support that ISMI should be subject to some restrictions, there was also a belief that provision should be flexible to circumstances where possible. There was little or no support for the nine-month waiting period for ISMI.

Delivery of ISMI

- Those receiving ISMI typically had a poor understanding of the nature of the support that they were receiving.

- Overall studies revealed that the system of Mortgage Interest Direct (MID) was supported by both mortgagors and lenders. Despite some administrative teething problems, a number of benefits of MID were identified including easier money management for mortgagors.

- In 1998, only a small proportion of IS/ JSA claimants (and a smaller number of ISMI recipients) had been able to use an insurance policy to manage the ISMI waiting period.

- The interface between claiming ISMI and MPPI was reported as being complicated and difficult by claimants.

- There was evidence that although claiming ISMI was relatively straightforward, there were some administrative and communication problems especially where claims were complex. However, the claiming process appeared to be smoother in later studies than earlier ones, suggesting an overall improvement in administrative procedures over time.

Outcomes

- The introduction of Mortgage Interest Direct was generally considered to have had a beneficial impact on arrears management and possessions (due both the higher levels of payments and lender forbearance), however this was based on lender and claimant assessments rather than robust data collected over time.

- Overall, lenders and insurers felt that the 1995 ISMI changes were likely to have had a negative, if not major, effect on levels of arrears and possessions. It was felt that the real impact would be observed in a recession.

- Modelling of court action data suggested that possessions were slightly higher by 2000 than they would have been under pre-1995 rules, but that changes in court policy had mitigated the negative impact of the reforms.

- Survey data (from non-identical surveys of borrowers) indicate that the proportion of ISMI claimants experiencing arrears has increased, from approximately a fifth in the early 1990s to about a half of all claimants in the late 1990s. In 1998, a higher proportion of post-October 1995 ISMI claimants, than pre-October 1995 claimants, had arrears due to the ISMI gap. However, overall, pre-October 1995 claimants were slightly more likely to be in arrears.

- Receipt of ISMI generally acts as a constraint on moving home; however mobility is obviously high amongst those households experiencing repossession.

- The evidence of ISMI as a work disincentive was mixed; whereas some people felt financially safer while on benefits, others pursued work opportunities due to a desire to work and other non-financial related reasons.

- Qualitative studies identified the emotional and personal impact on households of difficulties in paying the mortgage.

Mortgage Payment Protection Insurance: key findings

Eleven studies addressing the effectiveness or some aspects of the effectiveness of MPPI in preventing arrears and repossessions were entered into the review. All of the studies were undertaken in 1995 or later.

Structure

- The predominant form of MPPI is ASU (combined accident, sickness and unemployment), although some insurers allow these elements to be unbundled.

- Stand-alone policies tailored to individuals are relatively unusual.

- Many circumstances that can lead to arrears (income loss or reduction due to relationship breakdown, giving up work to become a carer) are not covered by MPPI.

- Average costs of MPPI cover appear to be falling slightly.

- Similar MPPI products are being offered at very different prices.

- MPPI premiums are rarely adjusted for individual risk.

- MPPI is an expensive product for consumers and government; a large proportion of the premium does not go towards paying claims and a chain of organisations take a share of the profit.

- Cost of premiums is a disincentive to some, particularly low income mortgagors; however the decision to take out MPPI is mediated by a range of factors of which cost is only one.
-

Accessibility and acceptability

- Large numbers of borrowers with MPPI have taken insurance because prompted to do so by lenders or financial intermediaries rather than because they have actively sought insurance cover.

- Financial intermediaries give customers varying introductions and explanations of MPPI, which affect take-up levels.

- There are a number of groups of borrowers who are either excluded from MPPI cover, or eligible only under certain terms and conditions, notably the self employed, those on temporary work contracts, those with pre-existing health conditions, and those with poor work histories.

- The choice of MPPI products offered to consumers is severely limited.

- Evidence suggests that there is not a linear relationship between perceived or real insecurity and take-up of insurance cover.

- Consumers with negative attitudes towards insurance generally are unlikely to take out MPPI whatever their perceived risk of being unable to meet mortgage commitments.

- Among those who have MPPI, positive attitudes towards the product are related to whether any claims made have been successful or not.

- Consensus from a sample of financial intermediaries indicates that MPPI is not seen by intermediaries as providing value for money.

- Public attitudes consider private insurance to be expensive and restrictive.

- Consumer understanding of MPPI is not sophisticated.

- It has been estimated that between 40% and 50% of mortgagors would benefit little from MPPI, as they have sufficient savings or other household income to cover mortgage payments.

- MPPI take-up has seen a modest growth since the 1995 ISMI changes. One study estimated that 1 in 5 of all mortgagors but 1 in 3 of mortgagors taking out in new mortgage in 1995/96, had MPPI.

- Take-up is higher among certain groups, and seems likely to be related to MPPI marketing strategies (which target new mortgagors for example), although there is no evidence of adverse selection.

Delivery of MPPI

- On average less than 4% of MPPI policyholders submit claims

- Approximately 40% of claims made relate to unemployment and 60% to accident and sickness.

- Lenders report that 80% of claims are successful. Reasons for claims being unsuccessful include: pre-existing medical conditions, claims being made too early (which are subsequently successful); borrowers not meeting the criteria for the policy (suggesting some policies have been missold).

- Claiming processes can be problematic.

Outcomes

- Only two studies directly addressed the impact of MPPI on arrears and repossessions.

- A survey of mortgagors in arrears reported that 13% of those in arrears had MPPI, but only 1% had made a claim on their policy.

- Four out of five households making successful claims avoid arrears. Arrears usually occurred during the wait period, and when the time-limited cover came to an end.

- Almost one third of people in arrears, and one third of people experiencing possession would have been eligible for MPPI, as they had experienced circumstances that might have led to a claim.

Other insurances: key findings

Only three articles on the effectiveness of other private insurances were included in the final review, two on Critical Illness (CI) insurance and one on Permanent Health Insurance(PHI).

Structure

- The majority of Critical Illness insurance is written as ‘accelerated’ life cover, and is often sold alongside mortgages.

- Qualitative interviews revealed that policyholders were happy with a ‘one size fits all’ Critical Illness policy, but were concerned about time limits contained within policies (re: qualifying periods and time allowed to claim).

- Permanent Health Insurance was a complex product with a range of eligibility requirements and different options for cover.

Accessibility and acceptability

- There were a number of ‘triggers’ to taking out cover. The role of a financial advisor was key to influencing CI take-up and often the only source of information for potential consumers. Some consumers were active in the process of seeking specific cover; others were more passive – taking the cover as part of a wider package often involving the mortgage.

- Customers made some calculations about when to take out cover and what cover would be most appropriate; existing customers considered that potential policyholders might be put off by the cost of policies, by lack of awareness of cover and little or no perception of risk.

- An insurance, rather than a tax based, system of income protection was regressive, especially for younger people, women and disabled people.

- Overall, there was little evidence on consumer attitudes, but one qualitative study revealed a wide variation in views on private protection generally, and CI in particular.

- Qualitative interviews revealed a very poor level of knowledge amongst CI policyholders of the detail of their cover.

Delivery process

- The proportion of successful to rejected claims for some types of critical illnesses was much higher than for others (for example, only 7% of cancer claims were rejected compared to 23% of multiple sclerosis claims and 57% of total and permanent disability claims).

- Qualitative information suggested that policyholders found it difficult to distinguish between different types of protection policies (e.g. MPPI, CI, PHI).

Outcomes

- There were no data available on the impact of other private insurances on arrears or repossessions.

Flexible mortgages: key findings

Only two studies concerned solely with flexible mortgages were entered into the review; both were undertaken very recently.

Structure

- Flexible mortgages products are still under development; different products offer varying levels of flexibility. Where underpayment facilities or payment holidays are on offer, these usually require previous overpayment.

Accessibility and acceptability

- Although there are no obvious exclusions, it appears that flexible mortgages are targeted at the more affluent, and more financially literate borrowers.

- Lenders consider that flexible mortgages are only useful for higher paid contract workers. Most borrowers are not considered sufficiently financially sophisticated to be able to make best use of the various ‘flexible’ facilities offered.

- Those who currently hold flexible mortgages are slightly older and more clustered in social classes A and B compared to other new borrowers, however they might not be representative of mortgagors opting for this type of product in the future.

- Those with flexible mortgages believe that flexible mortgages are a useful insurance policy against reduction in income.

Delivery

- Currently the most commonly used features of flexible mortgages are those that allow borrowers to get ahead with their mortgage.

- These products have yet to be tested through an economic downturn.

- There are several interesting 'unknowns' around flexible mortgages and their interaction with other safety nets, particularly ISMI.

Outcomes

- The potential effectiveness of flexible mortgages in assisting mortgagors avoid arrears and repossession has yet to be tested.

- Evidence suggests that those currently holding flexible mortgages who would be eligible for ISMI are not building up sufficient surpluses to cover the ISMI gap.

Conclusions

The systematic review of safety nets aimed to both test this new methodology within a social policy setting, as well as provide a robust assessment of existing research evidence in the area. Key conclusions included:

Methods

- A wide conceptualisation of effectiveness in the review meant that studies were included that presented evidence of significant policy interest on the process of delivering complex safety net interventions.

- Grey literature was of particular relevance to the review, more so than academic books and refereed journal articles. However some trade research was problematic to retrieve.

- The absence of subject indexing terms and structured abstracts in many electronic databases meant that the search and retrieval process was more lengthy than it would have been with more developed systems in place.

- Studies included in the review tended to have utilised a similar range of methods; they were mainly cross-sectional in nature and there was little use of comparison or control groups.

- The quality appraisal of evidence was a key aspect of the review approach. However, this was sometimes difficult to operationalise and further methodological developments are required in this area, as well as a requirement on authors to provide better quality information on methods used in studies.

- Synthesising evidence was also a challenge due to the complexity and heterogeneity of the interventions and research. A time-line was provided to aid the reader in interpreting the value of evidence over different time periods, and hence different policy and economic contexts.

Evidence base

- Studies included in the review were more likely to have been undertaken by some types of organisations, than others. Whilst some organisations will have more research resources available, generally there appeared to be a need for scarce resources to be better directed to high quality, larger studies. There was also an over-representation of small-scale literature reviews and summaries.

- Few studies provided evidence on the outcomes from the interventions, with studies mostly focussing on process factors. Few studies compared the experience of those who had received an intervention with those that had not. Consideration should be given to how future research can redress this balance.

- Most of the studies were concerned with ISMI and/or MPPI. There was little evidence related to the use of insurance products intended to replace income lost through ill-health, as this relates to helping borrowers pay their mortgages. There was also a lack of information on how lender forbearance and recovery practices mediate the effectiveness of other interventions in preventing arrears and repossessions. The value of flexible mortgages as a safety net remains largely untested.

- Studies rarely addressed issues of diversity within the population of mortgagors. Similarly, studies tended to focus on England or the UK and took little account of the impact of local and regional house markets.

Chapter 1 Introduction

This introductory chapter describes the background to the development of the ESRC systematic review on public-private safety nets for mortgagors facing unforeseen financial difficulties. The chapter seeks to explain why a systematic review of this area of public policy is important. Firstly, the reasons for undertaking a systematic review are explained, followed by a detailed exploration of the policy context relevant to the area of interest. The known nature of the research evidence at the outset of the review is also briefly discussed and the structure of the report outlined.

Introducing the study: why a systematic review?

There is a developing requirement for public policy to be evidence-based. This is seen to be due to a number of factors including: the drive to improve the quality of policy making (as set out in the White Paper *Modernising Government*); the need for greater accountability in government; the IT revolution and the consequent improvements in access to information and data; and a general public that is better informed, and increasingly sceptical about the roles and abilities of professionals.

Systematic reviews, that seek to provide a comprehensive assessment of existing knowledge in an area, are increasingly recognised as a key tool in evidence-based policy formulation. Systematic reviews, first developed in the education field, have been commonly used for assessing the benefits of health interventions over the last decade. However, the method is at a developmental stage within the social and public policy field. Reflecting the growing interest in this method and its application to all aspects of policy development, the ESRC has funded a programme of research projects to examine how evidence based policy can be generated in a number of social policy areas including public health, housing, education, and the criminal justice system. The UK Centre for Evidence-Based Policy and Practice at Queen Mary College, University of London is coordinating this programme.

As part of the ESRC programme, researchers at the Centre for Housing Policy and Social Policy Research Unit at the University of York have undertaken this systematic review of the current private and public safety nets available to mortgagors. The review has sought to collate and synthesise current evidence relating to interventions that are intended to support mortgagors in financial difficulties, and determine ‘what works’. The review included Income Support for Mortgage Interest (ISMI), Mortgage Payment Protection Insurance (MPPI), other types of private insurance and flexible mortgages (see later). The topic was chosen as it reflects a key policy objective of the government - the sustainability of homeownership. This objective is important to a range of players, including the Government, mortgage lenders, insurers, as well as consumers. Further, whilst there are concerns over whether the existing safety nets adequately address the needs and circumstances of (potentially) defaulting mortgagors, there is a genuine interest by all parties to ensure that an effective system is put into place. It is hoped that the systematic review will assist in this process.

Beyond developing an evidence base, a key aim of the ESRC programme, and of this review, is also to develop and refine the methodologies required for identification, appraisal and synthesis of evidence within the social policy field. A systematic review involves a number of key stages including seeking out existing knowledge of the subject, critically appraising the quality of those studies and evaluating the strength of the evidence that is found, before any conclusions are presented. The approach should be transparent, rigorous and less open to bias than traditional literature reviews, and provide a quality-controlled overview of existing research on which to inform policy debates.

A systematic review may be viewed as a short cut to accessing and integrating findings from primary research, which is often voluminous or difficult to find. Rather than offer an author's view on existing research, or a review of a restricted selection of the available literature, a systematic review offers a comprehensive summary of what is, and is not, known about different interventions, as the methods used are all aimed at limiting bias (Oliver and Peersman 2001). Bias may enter a traditional review, by reporting findings from poorly conducted studies, from the reviewers' own position in relation to the issue at hand and from failing to assess the complete range of published and unpublished work on the subject. A review conducted systematically seeks to minimize these sources of bias and be explicit about decisions made throughout the review, regarding the source of the studies, how they are included in the review, how quality is assessed and on what basis the findings are combined.

This project has attempted to build upon a respected body of work already conducted into the process of systematic reviewing both nationally and at the University of York. The approach taken to this review was informed by the NHS Centre for Reviews and Dissemination's guidance (2001) on producing systematic reviews in health services research, and from the work conducted at the Evidence for Policy and Practice Information (EPPI) Centre at the Institute of Education. The systematic reviewing methods used are reported in detail in Chapter Two.

Why are mortgagor safety nets an important policy issue?

The Green Paper *Quality and Choice: A Decent Home for All* (DETR, 2000) restated the importance of sustainable owner occupation as a key housing policy goal. Homeownership is the most common tenure in Britain, with over three quarters of households now owner occupiers, a growth from a base of less than two thirds in the 1970s. Safety net provision for the sector is recognised as an important issue given the risks that homeowners may face in being able to keep up with mortgage payments. These are briefly outlined below, followed by a consideration of the adequacy of the present safety net in addressing these risks.

Risks to homeownership

Table 1.1 shows the pattern of mortgage arrears and repossessions[1] over the last decade using Council of Mortgage Lenders (CML) figures collected from lenders. Whilst figures for the number of households in arrears on their mortgage in the first half of 2002 are at their lowest level for more than a decade, they are also occurring at a time of economic stability, low interest rates and low levels of unemployment. Table 1 also shows the very high levels of repossessions and arrears that occurred in the early 1990s during a period of recession, and particularly high levels of interest rates. Upward pressure on house prices, along with

[1] 'Repossession' is the most commonly used term to describe the situation where lenders 'possess' a borrower's house. Technically, 'possession' might be a more correct term but 'repossession' is common parlance and this convention has been adopted throughout the report.

Table 1.1: Mortgage arrears and repossessions: number of months analysis

Period	Number of mortgages at end of period	Properties taken into repossession in period	% all loans	Mortgages 3-6 months in arrear end-period	% all loans	Mortgages 6-12 months in arrear end-period	% all loans	Mortgages more than 12 months in arrear end-period	% all loans
		No.		No.		No.		No.	
1991	9,815,000	75,540	0.77	-		183,610	1.87	91,740	0.93
1992	9,922,000	68,540	0.69	-		205,010	2.07	147,040	1.48
1993	10,137,000	58,540	0.58	193,660	1.91	164,620	1.62	151,810	1.50
1994	10,410,000	49,210	0.47	169,080	1.62	133,700	1.28	117,100	1.12
1995	10,521,000	49,410	0.47	177,910	1.69	126,670	1.20	85,200	0.81
1996	10,637,000	42,560	0.40	139,250	1.31	100,960	0.95	67,020	0.63
1997	10,738,000	32,770	0.31	117,840	1.10	73,840	0.69	45,200	0.42
1998	10,821,000	33,820	0.31	129,090	1.19	74,040	0.68	34,880	0.32
1999	10,981,000	30,030	0.27	96,680	0.88	57,110	0.52	29,520	0.27
2000	11,169,000	22,960	0.21	95,260	0.85	47,820	0.43	20,820	0.19
2001	11,243,000	18,280	0.16	81,340	0.72	43,130	0.38	19,710	0.18
2002(1st half)	11,257,000	6,850	0.06	73,660	0.65	41,210	0.37	17,880	0.16

Source: Council for Mortgage Lenders statistics, Press Release 31 July 2002 (www.cml.org.uk) the inevitability of a recession at some point in the future, dictate that adequate safety nets for homeowners, along with responsible lending and borrowing, remain a priority for housing policy. Further, other data show that a much higher proportion of households experience difficulty in meeting mortgage payments than experience arrears. In 2000/2001, Survey of English Housing figures (ODPM, 2002), reporting households' own appraisal of their situation, suggest that 10% of households are either in arrears or experiencing payment difficulties (1% in arrears; 9% experiencing difficulties); whilst this compares well to a 20% figure in 1993/4, it still means that one in ten mortgagor households are struggling with mortgage commitments despite a benign economic context.

A series of risks exist for mortgagors in terms of their being able to meet their mortgage commitments over time, many of which have increased over the last decade or so. The increase in homeownership means that owner occupation is now a more diverse tenure, and in particular a higher proportion of owners are now on low incomes (Burrows and Wilcox, 2000). Low income mortgagors find it more difficult to meet any rise in mortgage repayments and/or manage a fall in income. In the Survey of English Housing (DETR, 2001), just over a fifth of all mortgagors cited an increase in expenditure as a reason for mortgage arrears in 1999/2000, despite low and falling interest rates. Changes to the structure of the labour market that have occurred over the last ten to fifteen years also represent a major risk to the majority of mortgagors, including the risk of unemployment, failure of self-employment and reductions in wages. In addition, loss of income may also occur through a household earner experiencing ill-health or an accident and having to stop working. Approximately two thirds of those in arrears in 1999/2000 cited loss of income as a major factor in explaining arrears. Household change, particularly relationship breakdown, again prominent in the 1990s, can also represent a risk to sustainable homeownership. Just over a third of mortgagors in arrears in the Survey of English Housing mentioned household change as key explanatory factor in their arrears in 1999/2000.

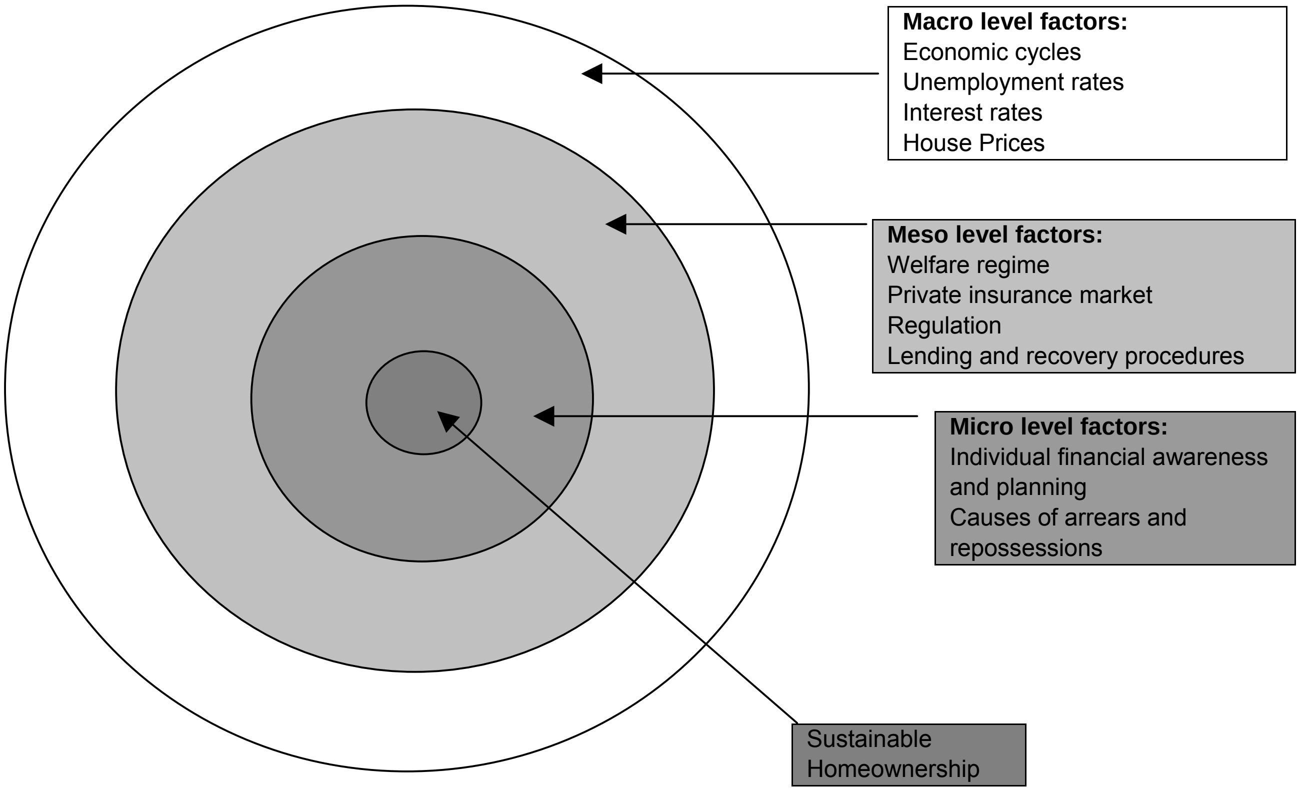
Figure 1.1 shows how a complex interaction of factors all inter-relate to affect sustainable homeownership. Micro level situations such as household change and employment situation are affected by macro factors such as economic cycles, impacting on the individual risks faced by mortgagors (Ford *et al*, 2001). Meso level factors also affect the ability of households to meet mortgage payments, for example lending and recovery procedures. At this level, the availability of adequate welfare regimes and the operation of safety nets themselves will also have an impact on households' ability to meet their mortgage commitments.

Mortgagor safety nets

Current safety net provision relies on both public and private provision to assist homeowners who are unable to work.

Historically, households eligible for National Assistance (and later Supplementary Benefit) had access to assistance with their mortgage interest payments through State provision from the point that they were unable to work. Restrictions to this support were first introduced in 1987 when 50% of interest payments were paid for the first sixteen weeks of all claims with the exception of claims by those over the age of 60. A rule was also introduced to restrict benefit if the cost of housing was deemed to be 'unreasonably high' compared to other suitable local accommodation. However, more fundamental restrictions were introuduced

Figure 1.1: Contextual map for safety net research



in October 1995, further limiting the help available to existing mortgagors but substantially changing assistance for new mortgagors from this time. From this point, borrowers claiming Income Support or income-based Jobseeker's Allowance, with mortgages taken out before October 1995 received no assistance for 8 weeks; up to 50% of eligible interest for the next 18 weeks; and then full eligible interest after 26 weeks. Borrowers with mortgages taken out before October 1995 received no assistance for the first 39 weeks of the claim; and then assistance with full eligible interest. Those mortgagors over the age of 60 remained exempt from these restrictions, whilst single parents and carers were exempt from the longer waiting period.

A number of other important restrictions were also introduced in 1995, including eligible interest being restricted to loans up to £100,000 (1993 had seen, for the first time, the introduction of a ceiling of £150,000, reduced to £125,000 in 1994) and a 'standardised' rate of interest being introduced. The Standard Rate of Interest (SRI) involves the calculation of interest by the average rate charged by the largest twenty building societies. Prior to this, claimants received interest based on their actual mortgage interest payments.
One of the main reasons for restricting ISMI was the escalating costs associated with providing the assistance. Total mortgage interest per annum had grown from £335 million in 1987 (334,000 claimants) to a height of £1,210 million in 1993 (555,000 claimants) (see Wilcox, 2002). The restrictions resulted in reduced expenditure in this area, also coinciding with a more stable economic context whereby costs per annum were £484 million in 2001 (260,000 claimants). Escalating costs in the recession of the late 1980s and early 1990s, also led to an important administrative change to ISMI in 1992. Prior to this, ISMI was normally paid direct to the claimant who was then expected to pass the payment on to the

lender. From 1992, Mortgage Income Direct (MID) was introduced whereby ISMI was paid directly to lenders signing up to the scheme. At the same time, the Council of Mortgage Lenders agreed that its members would not take repossession action against borrowers receiving full mortgage interest.

A second key reason for restricting ISMI advanced by the Government (DSS, 1995) (an argument later questioned by research [Pryce and Keoghan, 1999]), was that the system constrained the development of private mortgage insurance markets. From 1995, Government has promoted a public-private partnership in this area, with an expectation that mortgagors will insure their mortgage payments by taking Mortgage Payment Protection Insurance (MPPI) or some equivalent. MPPI provides cover for mortgage payments in the event of the loss of all income due to one or more of accident, sickness and unemployment. Typically, mortgage costs are met for 12 months and are paid, on average, after a two month deferral period. A ‘baseline’ MPPI product was launched in 1999, following an initiative by the CML and the Association of British Insurers (ABI), which has attempted to reduce a number of the exclusions that historically have been associated with MPPI products. All existing policies sold before this date were due to comply with the standards from July 2001. However, there is widespread agreement that MPPI remains a specific insurance product that is better at covering some risks than others, for example, an insurance product cannot be expected to cover the risks associated with loss of income following relationship breakdown.

Despite industry commitment to encouraging the MPPI market, take-up of MPPI remains the relatively low. Government and industry agree that a necessary take-up level is 55% of all mortgagors by 2004 - a figure that will be reviewed in the light of market conditions and take-up figures for other insurances. In the last six months of 2001, take-up stood at 22.5% of all mortgagors, and 36% of new mortgages (CML, 2002). Whilst a recent survey by MORI forCouncil of Mortgage Lenders found that 31% of mortgagors stated that they had an MPPI, this is likely to over-estimate real take-up levels. Take-up is inevitably also influenced by the availability of adequate and suitable advice on mortgages and related products, which has been known to be problematic in the past (e.g. LACOTS/ ITSA, 1999), as well as levels of financial literacy, also known to be poor in Britain (NACAB, 2002). At present, the sale of MPPI is partially regulated through a number of voluntary codes and bodies, including the Mortgage Code; however this is set to change with the recent announcement that mortgage advice will be regulated through the Financial Services Authority from mid 2004. From this date, mortgage lending, administration and arranging and advising on a mortgage contract will be regulated. Both lenders and mortgage intermediaries will need authorisation in this area, potentially leading to improvements in advice and selling practices in the industry.

Other private and public products and initiatives may also offer safety net protection for homeowners who face unforeseen financial difficulties in meeting their mortgage commitments. Other insurance products, not specifically tied to the mortgage, but providing income or a lump sum on becoming ill or unemployed may also provide some assistance with meeting housing costs. Examples include income protection insurance, such as Permanent Health Insurance, and Critical Illness cover. The recent MORI survey indicated that 19% of borrowers might have Critical Illness insurance and 7% Permanent Health Insurance (CML, 2002).

In addition, the Housing Green Paper (DETR, 2000) suggested that the recent growth of flexible mortgages might offer some potential protection to mortgagors. Flexible mortgages were first properly marketed in the UK in the mid 1990s, with six providers offering products in 1995/6 rising to over 50 by summer 2000 (Smith *et al*, 2002). In 2002, most lenders offered a flexible mortgage defined as offering five core facilities: regular overpayments; lump sum deposits; payment holidays; regular underpayments; and lump sum withdrawals. The last three features might potentially assist mortgagors in times of reduction or loss of income.

Nature of the research evidence

The review team were aided in the examination of the nature of the evidence within the field of safety net research for homeowners, by a scoping exercise of the literature for the then Department of Social Security (now Department of Work and Pensions) conducted by Ford & England (2000). The scoping exercise examined sources of data that could aid primary research, the range of literature and identified areas of methodology that remain problematic in this field.

Ford and England (2000) document the considerable use that is made of large-scale data sets such as the Survey of English Housing (SEH), Family Resources Survey (FRS), British Social Attitudes Survey (BSAS) and the British Household Panel Survey (BHPS) within this field. These provide sources of data on the socio-economic characteristics of those with mortgages and those with arrears, and on people's attitudes and beliefs towards homeownership, and state and private welfare support. Some qualitative research and cross sectional surveys have explored the operation of safety nets, how financial products are sold, or the interface between the public and private schemes, and people's understanding of the current safety nets. Industry and governmental sources of data about Income Support claimants who are mortgagors and received Income Support for Mortgage Interest are the Department of Work and Pensions and the CML, which provides survey data on insurance take-up and mortgage arrears.

However, there are a number of methodological areas that remain problematic. For example, it remains difficult to know the extent of the take-up of Mortgage Payment Protection Insurance (MPPI) as data from lenders and borrowers conflict. Participants are asked whether they have MPPI in the SEH and BHPS, but it has been shown that people have a low understanding of this product and over- report its take-up, confusing it with other products such as the life insurance cover attached to endowment policies. Measurement of mortgage arrears is also problematic, as the SEH provides extensive information about the source of arrears, characteristics of those mortgagors in arrears, and on repossessions, but this is based upon the borrowers' own recall and estimation. Ford and England (2000) suggest that these data be treated with some caution. Data from the CML only measure those mortgagors with 3 months or more arrears; these data cannot be linked to socio-economic characteristics of the mortgagors.

At the outset of the review, it was anticipated that the overall research base on the subject of the effectiveness of safety nets for mortgagors was likely to be relatively small; this, as the report describes, was confirmed by the review.

The report structure

The report is presented in four main chapters. Chapter Two provides a detailed commentary on the methods employed in the review, including a summary of the review protocol, the references retrieved and a discussion of this process. Chapter Three presents the substantive findings of the review, describing the research evidence base for ISMI, MPPI, other insurances and flexible mortgages. Chapter Four provides the conclusions to the study. Substantial appendices are attached for reference, providing more detail on the research protocol and studies included and excluded from the review.

Chapter 2 Methods

Introduction

A systematic review aims to provide a comprehensive and unbiased summary of available evidence on a given topic. This is achieved by the use of a clearly defined search strategy to ensure that an extensive range of potential sources of evidence is explored. In addition, the use of explicit criteria to appraise the quality of the evidence reviewed ensures only robust evidence is synthesised in the production of the final review.

A systematic review can be invaluable for policy makers and practitioners, who may not have the resources or critical appraisal skills to make sense of large volumes of evidence from a variety of sources. The identification of what is confidently known, and what is poorly understood or under-researched can, in addition, be used to direct future research resources.

There are six key stages to a systematic review:

1. Formulation of review question
2. Development of the review protocol
    - Define study selection criteria
    - Define appropriate study designs
    - Define quality assessment criteria
    - Devise search strategy
    - Devise data abstraction method
    - Decide data synthesis method
3. Document identification and retrieval
4. Application of study selection criteria
5. Extraction and synthesis of data from studies entered into the review
6. Presentation of findings

The review process was guided by an Expert Panel which had seven members representing a broad spectrum of stakeholders in the field, including regulatory bodies, government agencies, consumer organisations, academics specialising in safety net research and systematic reviewing methodologies. The organisations they were drawn from were:

- Council of Mortgage Lenders
- Department of Work and Pensions
- Financial Services Authority
- National Association of Citizens Advice Bureau
- NHS Centre for Reviews and Dissemination
- University of Cambridge, Department of Land Economy
- University of York, Centre for Housing Policy

The expert panel had a number of roles. Firstly the panel was intended to gauge the level of interest among policy makers in the methodology of systematic reviewing and its usefulness in developing evidence based policy and practice. Secondly panel members assisted the review team in various practical ways. They assisted with the refinement of the review protocol, with sourcing studies that might be potentially useful to the review, provided contacts in the area of interest, and commented on the first draft of the review. Thirdly it was hoped that the review would reach a wider audience through the involvement of key stakeholders, and thus be more influential.

Table 2.1 charts the process of the review, including information retrieved at each key stage of the process, as outlined below.

Stage 1: The review question

The formulation of the question to be addressed by a systematic review is critical. The question provides the focus and boundaries of the review, and shapes all aspects of the review process: the inclusion and exclusion criteria, the search strategy, the amount of literature retrieved, the quality appraisal, and the final synthesis of the evidence.

The question addressed by this review was:

> **How effective are public and private safety nets in assisting mortgagors in unforeseen financial difficulties to avoid arrears and repossessions?**

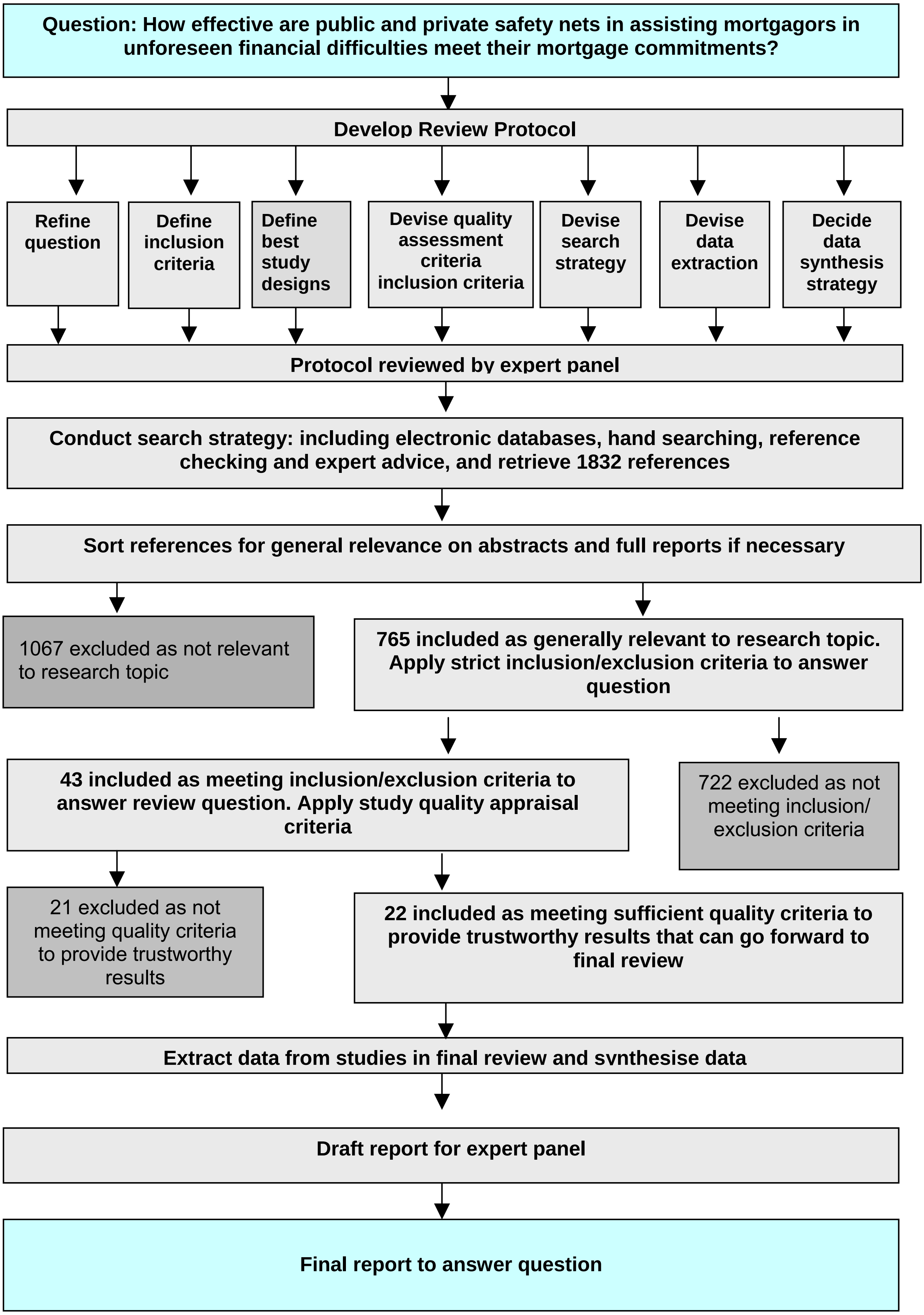
Considerable thought was given to the formulation of this question. It defined the population of interest (mortgagors), the condition of interest (unforeseen financial difficulties), the interventions of interest (public and private safety nets), and the intended outcomes of interest (avoidance of arrears and repossessions). Further consideration was given to which safety nets would be included in the review and after discussion it was decided that only those that were formal interventions, offered financial assistance and came into play when income was lost would be included. This meant that the interventions included were:

- Income Support for Mortgage Interest (ISMI);
- Mortgage Payment Protection Insurance (MPPI);
- Other types of insurance, such as Critical Illness insurance, Permanent Health Insurance, and other types of income replacement insurances; and flexible mortgages.

Appendix A outlines the rationale behind this selection. It was acknowledged that the boundaries could have been drawn in several ways resulting in other interventions being included. In particular, the following types of interventions and/or support, whilst relevant to the broader area, fell outwith the boundaries of the review:

- Lender forbearance
- Employer benefits
- Independent advice
- Informal help from friends and family
- Household savings
- Mortgage rescue

Table 2.1: Systematic review progress



Effectiveness can be understood from a variety of potentially different perspectives, such as the mortgage lenders, financial regulators, consumers and policy makers. The review question primarily focused on outcomes – arrears and repossessions. However it was recognised that although this outcome focus was central, it was also crucial to look at the interventions as a whole and the context in which they were operating. Wagner and Guild's (1989) study on effectiveness in health promotion offered a framework on which the dimensions of effectiveness could be placed, looking at the formulation of the intervention (the structure), and the contextual, attitudinal and implementation issues surrounding the intervention (the process), in addition to the outcomes. This interpretation of effectiveness was much broader than the common usage of the term within systematic reviews of effectiveness in health services research (such as those conducted by Cochrane Review Groups: see http://www2.york.ac.uk/inst/crd/), which are more closely aligned to outcomes. This review sought to expand the concept of effectiveness to include some consideration of the range of factors that might influence and impact on the primary outcomes of arrears and repossessions.

The review boundaries however meant that literature was not included that might have highlighted factors that indirectly mediated the effectiveness of the interventions under consideration (for example, lender practices, the epidemiology of arrears and repossessions). A less focused question might have allowed the inclusion of more contextual literature, but would have expanded the boundaries of the study considerably, and may have resulted in a review that was more diffuse, and less useful. This contextual information however did inform the background to the review.

Stage 2: Development of the review protocol

A systematic review is guided by a review protocol drawn up at the beginning of the review process. The protocol sets out how decisions at each stage of the review will be made. It makes explicit: what types of studies will be included or excluded and how their quality will be appraised; the search strategy; the information to be drawn from each study included in the review; and data synthesis methods. Making *a priori* decisions about how studies will be selected, identified and appraised for quality during the course of the review minimises the potential bias to which traditional literature reviews are open, and increases the transparency of decisions for the potential reader.

The original protocol for this review remains available on the Centre for Housing Policy website at www.york.ac.uk/inst/chp/ESRC1881.pdf.

The protocol is outlined below, and any changes to the initial decisions are documented.

(i) Study selection criteria

The first task in devising the review protocol was to draw up a set of study selection criteria. The development of these criteria prior to the commencement of the review effectively marks the boundaries of the review and helps focus the search strategy, clarifying intentions for readers and ensuring consistency amongst the review team.

The study selection inclusion and exclusion criteria for the review were derived from the review question and sought to identify only studies that addressed the question either directly, or as part of a broader investigation. The inclusion and exclusion criteria are presented in Table 2.2 below.

Table 2.2: Study Selection criteria

Inclusion criteria	**Exclusion criteria**
(Geographical coverage) Studies that relate to the UK	Studies that relate to countries outside of the UK
(Timing of studies) Data collected and published from 1988 onwards	Data collected and published prior to 1988
(Population of interest) Studies that relate to any mortgagors	Studies concerned exclusively with non-mortgagors
(Condition of interest) Studies concerned with existing mortgagors' ability to avoid arrears or repossession in unforeseen financial difficulties (e.g. relationship breakdown, accident, sickness, unemployment).	Studies concerned with mortgagors' ability to make mortgage payments at time of taking out the mortgage, or because of over-stretched finances.
(Type of Interventions) Studies that relate to interventions that have formal procedures, include an element for meeting (mortgage) payments, offer financial assistance and be triggered by the loss of income and/or onset of illness (see Appendix A). The interventions included will therefore be: • MPPI • ISMI • Other insurances (Critical Illness cover, Permanent Health Insurance, other types of income replacement insurance) • Flexible mortgages	Studies that relate to interventions that are not formalised, do not offer financial assistance, are not designed to be used for meeting mortgage payments and are not triggered by the actual loss of income (see Appendix A).
(Dimensions of Effectiveness) Studies that address at least one issue relating to effectiveness as defined in Table 2.4 • structure of the interventions, • the process of contextual factors, accessibility and acceptability • delivery of the interventions, • the outcomes of the intervention relating to its affect on arrears and repossessions	Studies that do not address any of these dimensions of effectiveness.
(Study design) Any types of study that include empirical evidence.	Book reviews, discursive opinion/policy pieces and literature reviews will be excluded. In addition, in cases where there are multiple publications of data from a single study, only the main findings will be used to avoid duplicating the results and misleading the data synthesis. Data from raw data sets with no analysis pertinent to the review question will be excluded.
(Quality appraisal) Studies will be appraised according to the specified criteria. Studies will meet the essential elements that form the quality threshold.	Studies that do not meet the quality threshold will be excluded.

International literature on mortgage safety nets was not included because of the problems in interpreting findings set against different housing markets, financial regulation, credit arrangements, mortgage provision, and labour markets etc.

Initially it had been decided to search for literature published since 1985 in order to capture any evidence that may have informed the policy thinking prior to the first amendment to the state safety net in 1987. However, as the review progressed it was felt that data collected under the Supplementary Benefit social security regime would be less applicable to the current policy agenda under Income Support, for more reasons than merely the passage of time. For example, access to Supplementary Benefit was less restrictive in terms of hours of work. The study selection criteria in the original protocol were therefore amended to exclude studies where data had been collected prior to 1988.[2]

Only studies that considered the population of interest, the condition of interest, the interventions of interest, and the different dimensions of effectiveness, as defined by the question, were considered for entry into the review (see Stage 1).

Study design and quality appraisal were also crucial elements of the study selection criteria and are considered separately below.

(ii) Study design

Study design refers to the methods by which research is conceived and conducted. In this review, it was anticipated that no experimental research would be available and that a multitude of study designs would be found. In considering the type of study design that would be considered for inclusion in the review, the review team examined the various debates surrounding what constitutes good or 'good enough' evidence in the context of the promotion of evidence based, or evidence informed, policy and practice. Research evidence is only one type of information that policy makers may draw upon: a question remains as to what types of research studies are the most convincing to answer different questions.

Many systematic reviews in the health care field use only data from experimental research (usually randomised controlled trials) as the best evidence to answer questions of effectiveness. This is contested in areas of health and other social policy fields characterised by more complex interventions (see for example Gowman and Coote, 2000). The debate is often polarised between different research paradigms of quantitative and qualitative research methods. The review team decided to take a liberal approach to the study designs that would be considered sufficiently robust to provide evidence for the review, and thought it important to value research from different disciplines and methods or paradigms. The review included only empirical research and not findings based on expert opinion, policy documents or unsystematic literature reviews.

(iii) Quality appraisal

Perhaps the most distinctive feature of a systematic review is the quality appraisal of the evidence retrieved. The intention of quality appraisal is to aid the interpretation of results, explain any variance between studies, and - importantly - to identify and exclude from the

---

[2] This decision only affected one study that would otherwise have been included in the final review, J. Ford (1988) *The Indebted Society*. London, Routledge. This study collected data regarding the payment of mortgage interest by the DHSS prior to the benefit changes implemented in April 1988.

final review studies that may have serious methodological flaws, thus rendering their findings less trustworthy. The intention is to present a summary of only the most robust research. However the quality appraisal process has generated a number of concerns, particularly in areas such as public health, or health promotion, where evidence is likely to be based on non-experimental studies where there is no apparent consensus on the best means of appraising quality (see for example, Green and Tones, 1999; White, 2001; Edwards *et al,* 1998).

This review required evidence to be drawn from empirical research but with no stipulations on the type of study design that had been employed (see section (ii) above). In preparing the protocol the review team therefore had to devise a set of quality appraisal criteria that could be transparently applied to a range of study designs. Oliver and Peersman (2001:83) have emphasised that critical appraisal should not result in “destructive nihilism” which concludes that nothing can be learnt from “imperfect research”. It was important to ensure that the quality appraisal criteria could provide a minimum quality threshold to ensure that studies that were ‘good enough’, where one could be reasonably confident of the research findings, entered the review. The review did not only seek to include ideal, ‘gold standard’ research.

The review team considered existing quality appraisal tools adopted by other reviewers. Various quality appraisal tools designed to be applied to a range of quantitative methods are widely available, but were not useful for the types of research we anticipated finding in this review. It was also felt that the application of a variety of quality appraisal tools would complicate the review process unnecessarily. The development of the quality appraisal criteria for this review was therefore based on the premise that quantitative and qualitative research could be judged against the same sort of criteria.

The review quality criteria drew on a framework (Godfrey *et al*, 2000) which highlighted the background of the author/s, the worth or relevance of the study, the research question, the appropriateness of the study design, the context, sampling, data collection and analysis, reflexivity, generalisability, and ethical standards as being areas in which the validity, and utility of the research projects could be considered and judged. Other studies that addressed the quality appraisal process were also consulted (Popay, Rogers & Williams, 1998; Mays and Pope, 2000; Denscombe, 1998; Gomm *et al*, 2000; Dale, Arber and Procter, 1988).

Following comments from the Expert Panel at the draft report stage, the quality appraisal criteria were further refined. There was a shared degree of uncertainty about how the review team’s decisions had been made. In response, the original quality criteria were re-examined to see: how the decision making process could be made more transparent; which were the questions that a study had to address satisfactorily in order to be considered sound; which questions were worth asking to explain differences or understanding of the findings, but were not considered crucial; and which questions, if any, were not worth asking at all. The revised set of criteria is presented in Table 2.3.

Table 2.3: Final quality appraisal criteria

1	Question	Is the research question clear?	E
2	Theoretical perspective	Is the theoretical or ideological perspective of the author (or funder) explicit, and has this influenced the study design, methods or research findings?	D
3	Study design	Is the study design appropriate to answer the question?	E
4	Context	Is the context or setting adequately described?	D
5	Sampling	(Qualitative) Is the sample adequate to explore the range of subjects and settings, and has it been drawn from an appropriate population? (Quantitative) Is the sample size adequate for the analysis used and has it been drawn from an appropriate population?	E
6	Data collection	Was the data collection adequately described and rigorously conducted to ensure confidence in the findings?	E
7	Data analysis	Was the data analysis adequately described and rigorously conducted to ensure confidence in the findings?	E
8	Reflexivity	Are the findings substantiated by the data and has consideration been given to any limitations of the methods or that may have affected the results?	D
9	Generalisability	Do any claims to generalisability follow logically, theoretically and statistically from the data?	D
10	Ethics	Have ethical issues been addressed and confidentiality respected?	D*

E = essential, D = desirable, * Ethics may be essential in other sensitive fields

These criteria were reapplied to each study that met the initial inclusion criteria. The questions marked as essential (E) were identified as those with the potential to alter the findings of the research, and therefore all had to be addressed satisfactorily in order to secure the internal validity of the study. The questions marked as desirable (D) were those additional questions that would help interpret the results and, in addition to the essential questions, may help explain variance in the findings. It was recognised that there may be many sensitive fields, researching children's experiences, for example, where explicit addressing ethical issues surrounding the research may be essential for the study to be considered sound, but this was not felt to be the case in this review.

(iv) Devising the search strategy

It is essential for a systematic review to search extensively for potentially relevant evidence to minimise the possibility of the review being biased by studies being sourced from a single point, and for the search to be well documented to aid transparency for readers. Traditional literature reviews may introduce elements of bias by reviewing only studies that are easily obtained, are already known to the author, or perhaps present findings that the author finds palatable. The systematic review process overcomes this source of bias.

Safety nets for mortgagors are of interest to a number of different sectors (as reflected in the composition of the Expert Panel). It was essential that the search for evidence should extend into the academic, policy, financial, and consumer protection sectors. A search strategy was developed which allowed the review team to draw upon several sources of information. The strategy included:

- an electronic search of academic and commercial databases;
- internet searches;
- consulting key players and researchers;
- hand searching relevant journals;
- using a specialist library resource;
- reference checking of retrieved articles.

Each component of the search strategy is described below.

The electronic search

The search of electronic databases was designed and carried out in collaboration with an experienced Information Officer from the NHS Centre for Reviews and Dissemination and other members of the review team, bringing together specialist information retrieval skills and knowledge of the subject area.

The Information Officer devised a search strategy, which included suggested search terms combined with other terms identified by some initial searches of relevant literature. Changes were made and searches re-run until all members of the team were satisfied with the strategy. The intention was to ensure that the search was sensitive enough to retrieve as many as possible relevant references, whilst being specific enough to limit the number of non-relevant references retrieved. The full electronic search terms are shown in Appendix B.

Databases and other reference sources were identified to enable coverage across a number of relevant disciplines including psychology, the social sciences and economics. The choice of databases also aimed to ensure that grey literature and unpublished materials were retrieved as well as published references. Official information was retrieved from sources such as the UK Government websites and Hansard. The team was assisted by searches carried out by staff at the British Library. Search strategies were written by the Information Officer and sent to the British Library to be run on databases only available on site at the library. Eighteen databases were included in the search strategy, as detailed in Appendix C.

Given the nature of the different search facilities available, the master search strategy was adapted where appropriate to fit the needs of a wide range of search interfaces. To this end, ‘basic’, ‘intermediate’ and ‘advanced’ strategies were devised, with the shorter, more basic searches being broader in scope to ensure that no relevant resources were missed.

A systematic review search strategy for a health/medical topic would normally include a combination of subject indexing terms from a controlled vocabulary and free-text terms from the title and abstract of the reference. This increases the sensitivity of the search strategy. For this review, however, subject-indexing terms were either not found to be relevant to the subject area, or were not available in some of the more basic databases used. In both cases, the search strategy was therefore reliant on use of free-text words only. This is problematic to the extent that the end-user is reliant on the way in which the subject matter has been phrased in the title and abstract of the reference. With a controlled vocabulary, the searcher can be more confident that all potentially relevant references have been retrieved

The internet searches

The sites searched are displayed in Appendix D. It should be noted however that sites additional to those first listed in the protocol were identified when following leads in trade paper articles, or when trying to retrieve articles published on the web. Particular problems were experienced in remaining systematic and transparent when searching the web and related links, and in trying to search large sites with limited search facilities. The searches were conducted primarily during May and June 2002. Whilst it may have aided the transparency of the search, dates of individual site searches were not recorded.

Hand searching

Electronic databases may be incomplete or not up to date in their coverage of the field and so some hand searching of key journals was included in the search. *Housing Studies, Urban Studies* and *Housing Finance* were searched by a combination of hand searching older volumes and electronically searching more recent years. In addition, Insurance Trends was included as it had a high degree of relevance to the topic. It was originally intended to hand-search *Roof*, *Housing* and *Housing Finance Review* but this was not felt necessary as they are not main sources of primary research.

Consultation with key players

In addition to seeking advice from the expert panel members, the team decided to consult more widely with organisations that have a role in developing, facilitating or regulating the safety nets for mortgagors. This consultation aimed to provide alternative viewpoints and information to focus the review and to assist with the identification of research studies. A list of people approached in this consultation is shown in Appendix E.

McManus *et al* (1998) suggested that it was important to consult widely as many of the references they obtained for their systematic review were sourced in this way. Whilst many useful replies were obtained giving background information, our success in identifying new studies by this method was limited, although one study entered in the review was obtained in this way (see later).

Reference checking

The references cited in each study obtained were scanned to identify further studies for consideration in the review. This proved very useful as four studies that were included in the final review were identified in this way (see later). This method overcomes any shortfalls in the electronic references failing to identify pertinent studies.

Specialist library

The staff at the Council of Mortgage Lenders/Building Society Association Library offered valuable support in searching their database and offering access to their library. This was a very useful experience which assisted in accessing trade papers that reported on research conducted within the industry. The highly specialised and targeted nature of the collection meant that although it was small, the proportion of relevant material collected was high.

(v) Data extraction and synthesis

It was important that information be extracted from each study in a uniform manner and so a series of questions relating to the structure, process and outcomes were asked of each included study (Table 2.4). This provided the basis of the synthesis of the multiple findings. All reviewers used a data extraction form to gather a consistent set of information from the studies. The form was piloted on a small number of studies at the beginning of the process to ensure the reviewers interpreted the questions and made decisions in the same manner. The data extraction form is shown in Appendix F. The new quality appraisal criteria were re-applied at the end of the review to each study that met the inclusion criteria, and a second reviewer again checked the decisions. An Access database was used to electronically record the information for all studies retrieved.

Table 2.4: Questions addressing effectiveness

Outcomes: What impact does the intervention have on the rates of arrears and repossessions?
Are there any notable secondary outcomes attributable to this intervention?
Process: Are there any notable contextual factors that affect the interventions operation as a safety net?
How does the interventions delivery affect its operation as a safety net?
How accessible or acceptable is the intervention and how does this affect its operation as a safety net?
Structure: Are there specific features of the intervention that affect its operation as a safety net?

There are various ways of approaching the synthesis of research findings within systematic review methodologies. Traditionally, quantitative research findings have been pooled, and statistically analysed, using *meta-analysis,* which determines the aggregate effect of the intervention. Where this may be inappropriate, for example if the studies are heterogeneous, a *narrative* or *descriptive* approach to combining the study findings, characteristics and validity is used. An exploration of commonalities and differences, and indeed gaps in the literature, can be displayed graphically using tables, in addition to the usual discussion of the findings of the review. *Vote counting* can assess the effectiveness of interventions, by adding up the number of studies showing a positive, neutral or negative effect to determine the summary conclusion of the review (Davies *et al*, 2000). The review protocol specified that data would be synthesised according to a narrative account.

Stage 3: Document identification and retrieval

Table 2.5 shows the number of studies retrieved at each stage of the review, broken down by source of reference. The search process produced 2221 references. Once duplicate references were removed, 1832 studies remained. Of these, 765 were found to be generally relevant to the review. This section describes the document retrieval process, with the following section examining the application of the study selection criteria.

Table 2.5: Source of references per each stage of systematic review

Databases/source	Received	After duplicates	Generally relevant	Passed inclusion criteria	Passed quality criteria
Peer Reviewed Journal databases:					
Sociological abstracts (ARC)	14	10	6	-	-
DH-Data (ARC)	158	147	111	-	-
Econlit	31	29	20	1	1
PAIS International (ARC)	3	1	-	-	-
Social Science Citation Index (WOS)	232	210	21	-	-
International Bibliography of the Social Sciences (BIDS)	172	112	14	-	-
Pych Info	3	3	1	-	-
ASSIA Plus (CD-Rom)	224	181	31	-	-
Social Security Worldwide (CD-Rom)	43	14	1	-	-
Parlianet	18	18	-	-	-
ABC Policy SCI	149	140	8	-	-
Business Periodicals Index	53	52	8	-	-
Insurance Periodicals Index	32	32	7	-	-
Grey Literature Databases:					
Community Wise	174	141	26	2	1
Dissertation Abstracts (Dialog)	2	2	-	-	-
Planex	67	25	7	-	-
Promt (Dialog)	60	26	20	-	-
SIGLE (CD-Rom)	56	44	40	12	7
Urbadisc (Urbaline/Accompline)	151	93	22	-	-
Other sources:					
Hand searching named Journals	15	15	14	1	1
CML Library	395	365	275	13	4
Personal correspondence	10	10	10	2	2
Reference checking	117	117	86	10	4
Organisational internet sites	45	45	37	2	2
Totals	**2221**	**1832**	**765**[1]	**43**	**22**

[1] Total of references not retrieved and whose potential remains uncertain is 35.

The retrieval process

The organisational management of the references and retrieved studies was planned to retain control of a large volume of references, retrieved studies and extracted data. Electronic programmes such as Reference Manager and Access were utilised successfully, but the provision of a dedicated research officer to administer the systems was very important.

The review team scanned each reference in the database to establish its general relevance to the topic. Studies identified as relevant or of uncertain relevance were ordered[3]. Studies were obtained by using the JB Morrell Library at the University of York, the Document Supply Centre of the British Library, by contacting academic units and organisations, downloading from the internet and paying directly for a small number of publications that were unobtainable by any other means. The ARTE mail system was found to be highly effective for ordering from the British Library for most categories of studies.

Many references had no abstracts and relevance was often unclear from titles alone. References were therefore sorted according to their potential to hold information relevant to the review as yes, no and uncertain, a process that could have been considerably eased had structured abstracts been available, as they are in many health journals and databases. Their availability would have reduced the amount of irrelevant studies that were obtained and therefore reduced the time taken in checking the references, and the costs of document retrieval.

It was not possible to access 35 of the studies to check their relevance or potential for inclusion in the review. Some did not arrive in time, others were too expensive to retrieve, or had incomplete reference details and thus could not be traced. In some case requests to organisations for copies of papers received no response. The possible impact of these absent documents on the review is unclear. Table 2.6 below shows the number of non-retrieved documents and the reasons for their non-retrieval. A list of these documents is presented in Appendix G.

Table 2.6: Reasons for non retrieved relevant items

Reason for non retrieval	**Number**
Timed out (ordered but not received in time to be included in review)	12
Untraceable (e.g. incomplete reference; not held by British Library; sourced but not retrieved from organisation)	13
Organisations not responded to request for study	4
Too expensive to purchase	6
Total	35

[3] This was with the exception of a small number of papers where it was known by team members that empirical research was not being reported, the full report was already held and/or the paper was known to cover the same findings as the full study report.

Stage 4: Applying the study selection criteria

A reviewer read each retrieved study, and ascertained whether the study was eligible for inclusion in the review according to the study selection criteria, including quality appraisal. A second reviewer read the study and checked these initial decisions and where disagreement was found, this was resolved consensually within the team. It was originally the team's intention to have two reviewers appraise the papers independently in order to minimise bias and prevent the second reviewer being influenced by the first. However, this proved to be very time consuming and a decision was made to have the second reviewer check the first reviewer's decisions. In practice, the second reviewer noted additional points and raised disagreements, which the team felt was a sufficient failsafe against one person's potential for bias. It is noted that this is the minimum acceptable criterion by the NHS Centre for Reviews and Dissemination (2001) to minimise reviewer bias.

It should be noted that the two other reviewers in the team reviewed studies in which Deborah Quilgars was included as author or in which she had been involved. A statistician was asked to assist with the reviewing and interpretation of the econometric papers.

Study design

The most common reason for a study not going forward to the review was that it was essentially based upon expert opinion. These studies frequently took the form of articles in the trade magazines, or market and policy appraisals by key stakeholders. Some hypothetical or theoretical economic modelling papers were excluded, as they were not empirically tested with real data. Many literature reviews of the field existed, often citing the same papers. These were excluded but those that were supplemented with a small amount of new data went forward for quality appraisal, with only the findings from the empirical element reported.

The study designs found, unsurprisingly, were almost exclusively techniques adopted widely by the social sciences, such as secondary analysis of large scale datasets, cross sectional surveys and small qualitative research studies, except for the economic modelling papers retrieved. Table 2.7 presents a breakdown of the research methods employed in the studies included in the final review. Further discussion of the methods informing the evidence base for mortgage safety nets is presented in Chapter Four.

Table 2.7: Research methods used in study designs of included studies

	Qualitative	Quantitative	Mixed Methods	Total
Included studies	10	6	6	22

There were difficulties of placing evidence from raw data sources into a review of this nature, some of which has not entered the literature, for example the CML/ABI MPPI take-up and claim inception statistics.

Quality appraisal

Applying the new criteria resulted in 22 studies being included in the final review. These are presented in Table 2.8, reviewed in the next chapter, with Appendix H presenting additional information and methodological details. Twenty one relevant studies were excluded as they did not meet the quality threshold; these studies are listed with reasons for their exclusion in Appendix I. It is important to note that the studies not meeting the quality threshold for this review are not without value. The essential elements of the research, however, are not satisfactory to answer this particular review question.

The inconsistent reporting of methodological details often made the quality appraisal of studies challenging. It was occasionally unclear whether it was the research, or the reporting of that research, that was being appraised. It was also observed that well-written reports were capable of clouding methodological weaknesses. The original intention was to contact authors for further information if there were any uncertainties about the methods, but in practice time constraints and the likely difficulties authors would have tracing information from studies, perhaps conducted a decade or so ago, did not allow this contact. It is suggested that a standardised approach needs to be adopted in social policy where journals and dominant publishers issue concordats on methodological reporting.

Many studies found included data on safety nets embedded within a study primarily focussing on a different issue, for example how poor families cope on a limited income. The studies were robust and well conducted, but remained problematic, as the data on safety nets for mortgagors were very sparse and drawn from only a small portion of the whole sample. Other studies that were conducted less well, but included a wealth of information, were excluded on the grounds of quality, but the review team found it a methodological challenge deciding whether the data embedded within well conducted studies should be included as it was difficult to generalise from the few cases.

Stage 5: Data extraction and synthesis

The review protocol stated that a narrative account of the findings of included studies would be presented. This review has presented the results as closely as possible in the manner of the original authors, as doing otherwise in the first instance invites subjectivity and further bias into the review. This review therefore may be characterised by some as being in the positivist tradition of research synthesis, despite trying to include a variety of study methods. It is this reduction in bias and a focus on transparency that this review holds paramount, in order to increase its potential utility for policy and practice. This does not however, preclude the scholarly contribution of the reviewers being made in addition to the presentation of the raw findings, providing this is communicated to the reader.

The questions related to effectiveness of structure, process and outcomes (see Table 2.4) were found to be a useful organising framework for presenting the study findings, and identifying gaps or weaknesses in the evidence base. This reflects the encompassing view taken of effectiveness, including the inputs, context, acceptability and outputs of interventions and has enabled a greater depth of analysis of the findings to be made.

During the review, the inclusion of evidence over a large time span was questioned, as many contextual factors with the potential to alter the operation of the safety nets had changed,

Table 2.8: Included studies

Burchardt, T. and Hills, J. (1997) *Private welfare insurance and social security. Pushing the boundaries*. York: Joseph Rowntree Foundation.

Davis R. & Dhooge Y. (1993) *Living with mortgage arrears*. London: London Research Centre/HMSO.

Dinani A., Grimshaw D., Robjohns N., Somerville S, Spry A., and Staffurth J. (2000) *A Critical Review - Report of the Critical Illness Healthcare Study Group*. London: Staple Inn Actuarial Society.

Dudleston,A. (2001) The Flexible Mortgage: A Risk Reducing Product? *Housing Studies* **16**, 163-177.

Ford, J. and Quilgars, D. (2000) *Financial intermediaries and mortgage payment protection insurance*. York: University of York, Centre for Housing Policy.

Ford, J. and Kempson, E. (1997*) Bridging the gap? Safety-nets for mortgage borrowers*. York: University of York, Centre for Housing Policy.

Ford, J., Kempson, E., and Wilson, M. (1995) *Mortgage arrears and possessions. Perspectives from borrowers, lenders and the courts.* London: Department of the Environment HMSO.

Ford, J., Kempson, E., and England, J. (1995) *Into work? the impact of housing costs and the benefits system on people's decision to work*. York: Joseph Rowntree Foundation.

Ford, J. and Wilcox, S. (1992) *Reducing mortgage arrears and possessions. An evaluation of the initiatives*. York: Joseph Rowntree Foundation.

H2B (2001). *Critical Illness cover - the future*. Wantage: H2B.

Kemp P. and Pryce G. (2002) *Evaluating the mortgage safety net*. London: Council of Mortgage Lenders.

Kemp P., Oldman C., Rugg J., and Williams T. (1994) *The effects of benefits on housing decisions*. London: HMSO.

Kempson, E., Bryson A., and Rowlingson K. (1994) *Hard times? How poor families make ends meet*. London: Policy Studies Institute.

Kempson, E., Ford, J. R., and Quilgars, D. (1999*) Unsafe safety nets? How effective are MPPI and ISMI?* York: University of York Centre for Housing Policy.

Mannion R., Hutton S., and Sainsbury, R. (1994) *Direct payments from income support*. London: HMSO.

Munro, M. (2000) Labour market insecurity and risk in the owner occupied housing market. *Environment and Planning A* **32**, 1375-1389.

Murphy, D. J, Taylor, S., and Whitworth, J. (1994) *An evaluation of mortgage interest direct payment scheme.* London: Department of Social Security, Analytical Services Division.

Pryce, G. and Keoghan, M. (1999) *Safety nets for mortgage borrowers. Responsiveness of the take-up of mortgage payment protection insurance to changes in the benefits system and to variations in the unemployment rate*. Edinburgh: Scottish Homes.

Smith, S., Ford, J., Munro, M., and Davis R. (2002) *A review of flexible mortgages*. London: CML.

Smith, J. (2002) CML Market Research Results 2001. *Housing Finance* **53**, 13-27.

Whitehead, C., and Holmans, E. (1999). *Why mortgage payment protection insurance? principles and evidence*, London: CML.

Williams, T., Hill, M., and Davis, R. (1999) *Attitudes to the Welfare State and the response to reform*. Social Security research report no. 88. London: HMSO.

often significantly, over time. It was not the case however that the earlier studies were of no value, but that it was important to present them in the correct setting. This temporal element to the retrospective interpretation of the research evidence was overcome by the production of the timeline presented at the beginning of Chapter Three.

Conclusion

Undertaking a systematic review involves a rigorous process. It is not however without its rewards. The rigour of the search, and the application of transparent and carefully considered study selection and quality appraisal criteria ensure that very little evidence is likely to be overlooked, and only robust evidence is synthesised and presented in the final review. Readers may be confident that there is no element of selectivity on the part of the authors or the funding organisation in the choice of evidence included.

Chapter 3 Substantive findings of the review

Introducing the review

This third chapter presents the substantive findings from the review of evidence of the effectiveness of private and public safety nets in assisting mortgagors to avoid arrears and repossession. The ‘safety nets’ considered are: Income Support for Mortgage Interest (ISMI); Mortgage Payment Protection Insurance (MPPI); other types of private sector insurances; and flexible mortgages. As with all systematic reviews, the best available evidence is presented. The review was guided by a protocol which sets out the extensive search strategy and criteria by which studies were identified, appraised and selected for entry into the review. The review process is described fully in Chapter Two.

Context to the studies

When considering the research evidence, the changing context over the period 1988-2002 needs to be noted. As outlined in Chapter One, a range of factors operating at the macro, meso and micro level can impact on the sustainability of homeownership, and specifically on the effectiveness of safety net provision. Figure 3.1 provides a time-line where all the included studies in the review are plotted, with key milestones noted both at the macro and meso level. For example, the early 1990s witnessed rising arrears and repossessions, as well as a depressed housing market with widespread negative equity (following the housing boom of the late 1980s), whereas by the mid 1990s interest rates had fallen making mortgage repayments relatively easier to meet for many mortgagors. The context of later studies was therefore a reasonably favourable economic climate, with stable and low interest rates. The key changes to the mortgage safety nets are also plotted including the main restrictions to ISMI and improvements in the MPPI product, as well as the wider regulatory framework.

Presentation of the evidence

Below, findings for each of the safety net interventions are presented in four separate sections. Each section starts with an introduction and brief overview of the studies from which the findings were drawn. Evidence is then presented under four main headings:

- Structure;
- Access and acceptability;
- Delivery;
- Outcomes.

These headings relate to the questions addressing different dimensions of effectiveness (outlined in Chapter Two, Table 2.4). Evidence relating to any specific features of an intervention that affect its operation as a safety net is presented under ‘Structure’. Evidence relating to how accessible and/or acceptable an intervention is to mortgagors and others stakeholders is presented under ‘Access and Acceptability’. Evidence relating to the delivery of an intervention once mortgagors are in difficulties is presented under ‘Delivery’. Evidence relating to the impact of the intervention on arrears and repossessions, is presented under ‘Outcomes’.

	DSS restrict ISMI	Deregulation of mortgage markets	House price inflation (1988-90)	High Interest rates (up to 15%)	Annual re-possessions=75,500	Mortgage interest direct – (MID) introduced	ISMI costs £1,210 million	Stable interest rates (1994 →)	DSS introduce further restrictions on ISMI		Mortgage Code introduced		MPPI Benchmark Standards low interest rates (1999 →)	House prices inflation (1999 →)	FSA mortgage regulations announced (for 2004)	
			Housing market recession													
Income Support for Mortgage Interest Studies						Ford and Wilcox (1992)	Davis and Dhooge (1993)	Mannion, et al (1994) Kempson, et al (1994) Murphy, et al (1994) Ford (1994) Kemp et al (1994)	Ford, Kempson and England (1995)							
Mortgage Payment Protection Insurance (may also include some assessment of ISMI)									Ford, Kempson and Wilson (1995)		Ford and Kempson (1997)		Kempson et al (1999) Pryce & Keoghan (1999) Williams, et al (1999) Whitehead & Holmans (1999)	Ford and Quilgars (2000) Munro (2000)		Kemp and Pryce (2002) Smith J (2002)
Flexible Mortgages/Other Insurances											Burchardt and Hills (1997)			Dinani et al (2000)	H2B (2001), Duddleston (2001)	Smith, S, Ford and Munro (2002)

It is recognised that the evidence does not always fit comfortably into these categories. Each intervention is complex, with quite distinctive features, and there is not a directly comparable body of evidence for each intervention. The four headings above do however provide a framework, albeit a relatively simplistic one, on which the evidence can be structured.

Appendix H presents further summary tables of the key methods and findings of the studies.

1 INCOME SUPPORT FOR MORTGAGE INTEREST

Introduction

As Chapter One outlined in detail, up until 1995, Income Support for Mortgage Interest (ISMI), means-tested state assistance for mortgagors qualifying for Income Support/Jobseeker's Allowance, represented the main safety net available for those facing financial difficulties in meeting their mortgage (interest) payments. From 1987, when some restrictions were introduced, half 'eligible' interest payments were payable for the first 16 weeks and 100% thereafter. However, from October 1995, the assistance available was substantially reduced, particularly for post-October 1995 mortgagors who then faced a 9 month qualifying period. However, with relatively low present levels of take-up of Mortgage Payment Protection Insurance, and ISMI covering a wider range of eventualities for low income borrowers than MPPI (see below), ISMI remains a potentially important safety net intervention.

Overview of relevant studies

Twelve of the twenty two studies included in the review examined the effectiveness of the ISMI safety net, either exclusively or, in the case of five studies, alongside MPPI.

Three studies focussed on assessing Mortgage Interest Direct (MID), the system of direct payments of ISMI, that was introduced in 1992. The earliest study, conducted by Ford and Wilcox (1992) for the Joseph Rowntree Foundation (JRF), evaluated the potential impact of MID alongside other schemes in reducing mortgage arrears and repossessions (using 302 randomly selected borrowers from one large lender). Two studies were carried out for the then Department of Social Security (DSS) (now Department for Work and Pensions). Firstly, an early study (Mannion *et al*, 1994) examined the full range of direct payments under Income Support (e.g. fuel, council tax) via a nationally representative sample of Income Support claimants (309 in receipt of direct payments, 59 of these receiving MID) and interviews with key players. Secondly, Murphy *et al* (1997) carried out a DSS in-house qualitative study (40 claimants, 18 lenders, Benefits Agency staff) that examined whether MID reached the lender and whether the change over to MID had prevented arrears. All of these studies were conducted rigorously but the quantitative data are now dated.

Three early studies on arrears and repossessions included information on the role of ISMI in helping people to manage this process. Ford *et al* (1995a) identified (via two random Omnibus surveys) and interviewed 362 borrowers in arrears, and 111 who had experienced repossession, surveyed those not in arrears and undertook a postal survey of lenders (72 respondents). Whilst the sample size for a quantitative study is modest, the study allowed a detailed exploration of the role of ISMI within the arrears process. Davis and Dhooge (1993), in a JRF study, looked at mortgage arrears from the borrowers' perspective via qualitative interviews with 46 households. Kempson *et al* (1994), supported by the Policy Studies Institute and JRF, involved a qualitative study of 74 low income families, including 17 homeowners, examining how poor families make ends meet. These studies were in themselves robust, but the role of ISMI was not a primary focus of the study and therefore the information on ISMI, whilst providing insights, was less than comprehensive.

Two included studies were primarily concerned with secondary outcomes of ISMI; firstly, Kemp *et al* (1994), in a qualitative study for the then DSS involved 25 homeowners (as well as interviews with 39 private tenants receiving Housing Benefit) and investigated the extent to which ISMI influenced the decision to move house; secondly, Ford *et al* (1995b), for JRF, undertook 44 depth interviews with homeowners and tenants to identify ways in which households made decisions about employment and whether ISMI constituted a work disincentive.

Only four of the twelve studies were conducted following the 1995 ISMI changes. The Joseph Rowntree Foundation supported two studies concerned with the specific effectiveness of ISMI (and MPPI) since the October 1995 changes were introduced. Ford and Kempson (1997) considered the perspectives of borrowers, lenders and insurers on the ISMI changes in 1996 and included qualitative interviews with 31 borrowers, a postal survey of nearly 2000 borrowers (46% response rate), a survey of 42 lenders (66% response rate) and qualitative interviews with ten lenders and five insurers. Kempson et al (1999) assessed the effectiveness of ISMI and MPPI two years later, via a survey of 1,684 IS/ ISMI claimants (response rate: 41% for those waiting to receive ISMI, 50% of those receiving ISMI) and 29 in-depth interviews, as well as a survey and interviews with MPPI policyholders (see MPPI section later). These two studies represent the most comprehensive research on ISMI carried out to date, though the first was undertaken very soon after the ISMI changes.

More recently, Kemp and Pryce (2002) attempted to assess the impact of the October 1995 changes in a study for the Council of Mortgage Lenders which, as well as reviewing existing evidence and statistical sources including official data on ISMI payments, CML arrears data and repossessions and court order data, undertook a postal survey of 118 CML members (response rate of 58%). However, it was not possible to undertake any new surveys of borrowers.

Finally, BMRB International conducted a series of 10 focus groups (including two groups receiving ISMI) for the DSS in 1998 (Williams *et al,* 1999) to explore public attitudes to the role of ISMI and MPPI, as well as Housing Benefit, in meeting housing costs.

Structure

- Only a third of mortgagors would qualify for ISMI due to the means-tested nature of the benefit; however ISMI covers a wider range of eventualities than private insurance (e.g. relationship breakdown).

- The vast majority of ISMI claimants (and a higher proportion in the late 1990s compared to pre-1995) experience shortfalls in their ISMI payments; the single largest reason for this is the Standard Rate of Interest being lower than the interest due to the lender.

The studies included in the review focussed on two main areas related to the structure of ISMI: details on the population who qualify for ISMI; and the ISMI waiting periods/shortfalls in interest payments.

A number of studies (e.g. Kempson *et al*, 1999) have noted that only about a third of mortgagors would qualify for ISMI due to the means-tested nature of the benefit (that is the need to qualify for Income Support including having less than £8,000 in savings and not having a partner in full-time work). Ford, Kempson and Wilson (1995) also confirmed that the majority of borrowers in arrears lacked any eligibility for ISMI. However, Kempson *et al* (1999) also noted that ISMI covers a wider range of eventualities than private insurance, including circumstances such as loss of income due to relationship breakdown, as well as loss of employment due to any health problem without exclusions (for example for pre-existing illnesses).

Many studies drew attention to the waiting periods for ISMI and potential problems resulting from these (see section on outcomes below). In addition, a number of studies attempted to quantify the extent of ISMI claimants who did not receive payments to cover all of their eligible interest. The Ford and Wilcox (1992) and Ford *et al* (1995) studies all indicated that, prior to the 1995 ISMI changes, approximately two thirds of ISMI claimants did not receive full ISMI payments and so had shortfalls. In the Kempson *et al* (1999) study, this had increased to 80% of ISMI recipients who experienced a shortfall between what was paid and what was due on the mortgage interest. In this later case, the shortfall was most commonly caused by a lower Standard Rate of Interest (SRI) being paid by the DSS than charged by the lender (in 44% of cases), as well as deductions for ineligible second loans, and where housing costs were too high.

Kemp and Pryce (2002) specifically investigated the Standard Rate of Interest using CML data and demonstrated three problems with the present system. Firstly, a time-lag between changes in the official average building society mortgage rate and implementation of a change in the SRI. Secondly, the SRI being based on the average rate for the 20 largest building societies has become increasingly inappropriate due to market changes. Banks represent three quarters of the mortgage market and charge on average higher mortgage rates than building societies. Finally, overall, borrowers face a wide spread of interest rates at any one time and therefore a uniform rate inevitably leads to inequity between claimants.

Accessibility and acceptability

Knowledge of ISMI

- Studies show that mortgagors were generally unaware or had poor knowledge about the ISMI system.

A number of studies revealed that the general level of awareness of ISMI amongst both the general public, as well as mortgagors and ISMI claimants, was poor (Davis and Dhooge 1993; Kempson *et al*, 1994; Ford and Kempson, 1997; Williams *et al*, 1999). In the Williams *et al* (1999) focus group study, there was very little awareness of ISMI - by name or principle - amongst the general public though there was a general assumption that 'something would be done' for owner occupiers. Only a handful of owner occupiers (who had not received support) were aware of ISMI, but most were not aware of the waiting period, many thought it only paid for a specific period and a few thought it would pay capital costs as well. In Ford and Kempson (1997), mortgagors had poor knowledge of ISMI, most did not know anything about it, or what they knew was not correct. They had no idea that the extension to the ISMI gap had been introduced in the previous year, and some did not know that ISMI only covered payments on interest. This low level of knowledge amongst actual and potential mortgagors is potentially problematic in a context where homeowners are expected to make a rational decision to take out MPPI given the reduction in the state safety net.

Attitudes and beliefs

- Overall, qualitative studies indicated some support for a state system, though some felt that the state should not help homeowners purchase a capital asset, whilst others felt the same assistance should be available to renters as owners.

- Early qualitative work indicated that some people were resistant to making a claim due to the stigma involved in receiving benefits.

- Whilst there was broad support that ISMI should be subject to some restrictions, there was also a belief that provision should be flexible to circumstances where possible. There was little or no support for the nine month waiting period for ISMI.

Overall, studies revealed mixed, but broadly supportive, attitudes towards some form of state support amongst the general public and homeowners. A number of qualitative studies reported an overall belief that the state should provide some support however this was often qualified with a concern that homeowners were being helped to obtain an asset, with respondents (those not in receipt of ISMI) in one study suggesting that ISMI should be repaid (Williams *et al*, 1999). On the other hand, some argued strongly that it was unfair that renters received so much help and homeowners so little in comparison - argued by ISMI claimants in Murphy *et al* (1997). Mortgagors also pointed out that whilst people should take some responsibility for protecting their investment, it needed to be borne in mind that people had been encouraged to become homeowners (Ford and Kempson, 1997; Kempson *et al*, 1999). A few studies showed that some had a resistance, or did not claim benefits due to the stigma involved (Kempson *et al*, 1994; Ford and Kempson, 1997).

The Williams *et al* (1999) study asked focus group participants for their views on the type of support the government should provide to mortgagors in financial difficulties. Most participants felt that the receipt of ISMI should be subject to certain criteria, in particular, it should not be available to those not willing to work, to those with large assets or pensioners who should have paid off their mortgage. Conversely, it was thought that ISMI should be available to those in low paid/ part-time work, that the £100,000 property benefit limit should be more flexible to reflect regional differences in house prices, and that waiting periods should be abolished (there was a preference for a time limit on receipt over a waiting period). The nine-month waiting period was seen also seen as uniformly harsh in other recent studies (Ford and Kempson, 1997; Kempson *et al*, 1999).

Delivery

Claiming process

- Those receiving ISMI typically had a poor understanding of the nature of the support that they were receiving.
- Overall studies revealed that the system of Mortgage Interest Direct (MID) was supported by both mortgagors and lenders. Despite some administrative teething problems, a number of benefits of MID were identified including easier money management for mortgagors.
- There was evidence that, although claiming ISMI was relatively straightforward, there were some administrative and communication problems, especially where claims were complex. However, the claiming process appeared to be smoother in later studies than earlier ones, suggesting an overall improvement in administrative procedures over time.

Studies examined a number of areas of ISMI's delivery as a safety net including: the level of knowledge of those receiving ISMI; the operation of MID; and the overall smoothness of delivery of ISMI payments.

Studies pointed to the fact that ISMI claimants often had a poor understanding of the nature of the support that they were receiving. In the Kemp *et al* study (1994), interviewees were not always clear about what they were getting or why, and three people denied in interview that they were receiving ISMI when they clearly were. The only restriction clearly understood was the 16 week waiting period. None were aware of the excessive housing costs criterion. A similar lack of understanding amongst ISMI claimants was also found by Williams *et al* (1999) and Kempson *et al* (1999).

The three studies that specifically examined MID all reported early administrative problems but an overall improvement in delivery systems from both the perspective of borrowers and lenders. The lenders in the Murphy *et al* (1997) study all reported 'teething problems', for example initial problems with the Bankers Automated Clearing System (BACS) and four-weekly versus calendar month payments. Several of the lenders complained about the transaction charges; however, overall, lenders felt that MID had improved their cash flow. Mannion *et al* (1994) also reported that lenders, Benefit Agency staff and money advisors had identified administrative issues, including lenders occasionally being paid incorrect amounts. Further, Kemp *et al* (1994) also revealed that there was some confusion at the changeover to MID and how a number of people had technical arrears in the move to direct payments. Davis and Dhooge (1993) and Ford *et al* (1995a) also noted problems but an overall welcoming of the change.

Murphy *et al* (1997) and Ford and Wilcox (1992) reported that most income support claimants were happy with how MID took away the temptation to spend the ISMI money. Murphy *et al* (1997) and Mannion *et al* (1994) both reported that some ISMI claimants thought MID helped them to manage their money more effectively. Fourteen per cent of ISMI claimants (survey only included 59 cases) thought they would not have paid the mortgage without MID (Mannion *et al*, 1994). It also saved them time, money and social embarrassment in arranging the payments themselves, though communications from the DSS were often difficult to understand (Murphy *et al*, 1997).

ISMI claimants in the Kempson *et al* (1999) study reported that in 1997 claiming mortgage interest was relatively smooth and straightforward, though there appeared to be poor communication between the DSS and the Benefits Agency in situations where claims were complicated, and there were problems around verifying claims and some people felt demeaned by the process. Kempson *et al* (1994) had identified a number of administrative problems with claiming ISMI for some case study respondents. Similarly Ford *et al* (1995a) recorded that a third of borrowers (or 1 in 10 of those in arrears) had reported delays and errors in payments (some also had problems because they were not aware that they could claim ISMI).

Delivery in conjunction with other safety nets

- In 1998, only a small proportion of IS/JSA claimants (and a smaller number of ISMI recipients) had been able to use an insurance policy to manage the ISMI waiting period.

- The interface between claiming ISMI and MPPI was reported as being complicated and difficult by claimants.

Both Ford and Kempson (1997), and particularly Kempson *et al* (1999), considered the relationship between ISMI and MPPI. The earlier study pointed out how the slow development of MPPI following the ISMI changes was of concern as only a third of borrowers would be able to claim Income Support (see 'structure' section above), and at least three quarters of these borrowers had no MPPI to cover the ISMI gap. In the later study (undertaken in 1998), 16% of IS/ JSA claimants (in the wait period for ISMI) stated that they used money from an 'insurance policy' to manage this gap. A smaller proportion, 5%, of ISMI recipients (though 9% of post-October 1995 borrowers) stated that they had used an insurance policy to manage the ISMI waiting period. The type of insurance policy was not specified in the study, therefore it could have included other types of insurances as well as MPPI. It is possible, but unknown, that other claimants had similar policies that they did not or could not claim on. The study pointed out that overall four out of 10 people claiming ISMI do so for reasons not covered by MPPI (e.g. lone parents following relationship breakdown, those giving up work to become a carer or those whose partners have died leaving them with income low enough to qualify for ISMI). Whilst it is acknowledged that take-up levels of MPPI were and remain low, the study demonstrated that insurance policies, like MPPI, were clearly not providing an effective solution to the ISMI gap in 1998.

In addition, Kempson *et al* (1999) survey respondents, and a small number of in-depth interviewees, reported that the interface between ISMI and MPPI was complicated and difficult, citing a lack of communication between borrowers, lenders and the DSS and problems where MPPI at that time had been counted as 'income' and therefore taken into account in benefit calculations. Over two thirds (68%) of those making the transition between safety nets reported that the process was either quite or very difficult.

Outcomes

Impact on arrears and repossessions

- The introduction of Mortgage Interest Direct was generally considered to have had a beneficial impact on arrears management and repossessions (due both to the higher levels of payments and to lender forbearance), however this was based on lender and claimant assessments rather than robust data collected over time.

- Overall, lenders and insurers felt that the 1995 ISMI changes were likely to have had a negative, if not major, affect on levels of arrears and repossessions. It was felt that the real impact would be observed in a recession.

- Modelling of court action data suggested that repossessions were slightly higher by 2000 than they would have been under pre-1995 rules, but that changes in court policy had mitigated the negative impact of the reforms.

- Survey data (from non-identical surveys of borrowers) indicate that the proportion of ISMI claimants experiencing arrears has increased, from approximately a fifth in the early 1990s to about a half of all claimants in the late 1990s. In 1998, a higher proportion of post-October 1995 ISMI claimants, than pre-October 1995 claimants, had arrears due to the ISMI gap. However, overall, pre-October 1995 claimants were slightly more likely to be in arrears.

Information on the impact of ISMI on arrears and repossessions was only reported in a few studies. Three main areas were covered: the impact of MID on arrears; the impact of the 1995 changes; and the overall extent to which the ISMI gap/ shortfalls led to arrears.

The Murphy *et al* (1994) study attempted to ascertain whether the changeover to MID had prevented repossessions of customers' homes. Whilst the number of repossessions had fallen since the introduction of MID, this trend had already begun prior to MID and therefore, with no baseline data available (lenders did not know who was claiming ISMI prior to MID), it was difficult to quantify the positive effects of the direct payments scheme. The impact also appeared to be dependent on lender forbearance, with many lenders reporting that they were being more tolerant of arrears (though some secondary lenders had instituted repossessions). Some claimants also reported that they felt that lenders were less likely to repossess because of MID. The Ford and Wilcox (1992) earlier study had estimated that direct payments would reduce repossessions by some 8,500 to 10,500 in a full year (depending on attitudes to lender forbearance). In the Kemp and Pryce recent study (2002), 33 lenders thought that MID had reduced repossessions, 36 thought MID had no effect on repossessions, or were unable to say what the impact had been, and one lender thought it had caused an increase in arrears.

The Ford and Kempson (1997) study reported that lenders felt that the, then recent, 1995 ISMI changes had little impact on levels of arrears, possibly because lending criteria had been tightened prior to the ISMI changes following recession/ the rise in repossessions of the early 1990s. In addition, some lenders had modified arrears policies and practices in response to ISMI changes - either by being more lenient through the ISMI gap, or being more stringent to ensure arrears did not accrue. However, many lenders and insurers felt that the ISMI changes were a 'timebomb' that a recession would trigger. The much more recent survey of lenders (Kemp and Pryce, 2002), reported that lenders thought that the overall effect of the 1995 reform had been negative. Nearly a quarter of all lenders, and almost one third of the top lenders, thought that changes had increased arrears, whereas less than one in ten lenders (and none from the top 25) thought the changes had reduced arrears.

Kemp and Pryce (2002) also undertook some modelling to compare the actual numbers of court actions since 1995, and what would be expected if the pre-1995 benefit situation had continued, assuming that unemployment and interest rates 'explain' the number of court actions initiated. They reported that court actions entered would be significantly lower (by second quarter of 2000, lower by 40%) if the 1995 ISMI changes had not been made, however when court actions 'entered' to court actions 'made' are considered there was less evidence of a structural break, and forecasts from the model were only marginally lower than actual actions made. The implications from this study were that the changes exacerbated the sensitivity of repossessions to unemployment and interest rates, but that change of court policy had to some extent mitigated the impact of these reforms. Nevertheless, the authors demonstrate that repossessions were marginally higher than they would have been under the pre-1995 rules.

The early Ford and Wilcox (1992) and Ford *et al* (1995a) studies found that a fifth (20%) of people in receipt of ISMI payments were in arrears. In the Ford *et al* (1995) study a third of those in arrears stated that they had got into arrears because they received less from the DSS than was due to the lender - usually arising from half payments in the first 16 weeks. In the more recent Kempson *et al* (1999) study, overall, 52% of pre-1995 mortgagors, and 46% of post-1995 mortgagors had experienced arrears at some point in their claim - relating either to the wait period, ISMI shortfall or other aspects of the system. Of those surveyed whilst still in the ISMI gap, the study found that 33% were unable to meet their mortgage payments in full; and of those people in receipt of ISMI, 44% were unable to meet mortgage payments in the ISMI gap. A higher proportion of the post-95 claimants had arrears due to the ISMI gap. In addition, over one third of the ISMI group surveyed reported arrears as a consequence of a shortfall in their interest payments (see 'structure' above - 80% had some shortfall in payments). Those who had pre-October 1995 mortgages were more likely to be in arrears than post 1995 mortgagors; the authors suggested that this may have been due to the higher number of second mortgages amongst the pre 1995 group. A fifth (21%) of all ISMI claimants in arrears in the survey had suspended repossession orders against them (none reported repossession as such action would have ended the ISMI claim and therefore they would not have been in the survey).

Secondary outcomes

- Receipt of ISMI is a constraint on moving home through choice; however mobility is high amongst those with arrears due to repossessions.

- The evidence of ISMI as a work disincentive was mixed; whilst some people felt financially safer whilst on benefits, others pursued work opportunities due to a desire to work and other non-financial related reasons.

- Qualitative studies identified the emotional and personal impact on households of difficulties in paying the mortgage.

Three main secondary outcomes of the ISMI safety net appear in the research literature: the role of ISMI in moving house, ISMI as a potential work disincentive[4], and the personal and emotional impact of not being able to maintain mortgage payments.

The Kemp *et al* (1994) study found that ISMI was a constraint on moving house, apart from in the situation of forced moves (i.e. repossession/ lender insistence). Most people had simply not considered moving because of their financial situation, and some of the few that did had difficulty finding a lender who would advance a mortgage to unemployed people. Ford et al (1995a) also identified the high extent of housing mobility amongst those who had been repossessed but mobility with little or no control over the process.

The Ford *et al* (1995b) study, looking at decisions about taking work amongst those on ISMI, suggested that the economic model of decision making did not always prevail and that it was important to consider social and attitudinal factors. Whilst about half of those interviewed calculated carefully whether they would be better off by taking work (and responded to employment opportunities in this light), about a quarter did the same calculation but were prepared to be worse off in work (or at least no better off) and a quarter were informed by non-financial concerns such as a desire to work, child care, wish for interests outside the home *et cetera.*

The Kemp *et al* (1994) study also explored the impact of ISMI on work decisions. Whilst they found no evidence of an unemployment trap (a situation where someone is better off on benefit), the availability of ISMI was a factor in people's minds when considering coming off benefit, with some feeling safer whilst on IS as people felt that their debts were all going to be called in when they started work again. Davis and Dhooge (1993) reported that some borrowers had been advised to leave low paid work in order to claim benefits, though loss of work was seen as undesirable by most. In the Kempson *et al* (1994) study, some homeowners continued to work when they would have been better off on benefit due to a strong desire to work; here ISMI did not appear to be a work disincentive, though it did sometimes affect work decisions to the extent that some worked cash-in-hand jobs to make up ISMI shortfalls and arrears.

A number of the qualitative studies noted the emotional and psychological problems experienced by mortgagors struggling to pay their mortgages, with negative effects on health and well-being caused by anxiety, poverty and debt (Kempson *et al*, 1999), and for some, feelings of entrapment (Davis and Dhooge, 1993).

Conclusions

The majority of the studies on ISMI were undertaken prior to the October 1995 benefit changes, though two key studies have been undertaken more recently. Overall there is a lack of high quality information on the effectiveness of ISMI, especially in relation to primary outcomes of arrears and repossessions. Studies have concentrated on some aspects of ISMI more than others, particularly Mortgage Interest Direct as well as other aspects of the

---

4 It should be noted that the potential work disincentive whereby successive ISMI claims were treated as linked but only within 12 weeks of the termination of the first claim was recently changed to allow ISMI claimants to take a temporary job for up to a year before they have to re-qualify for ISMI.

delivery of ISMI. Only two studies have addressed the interaction between ISMI and MPPI. Overall studies demonstrate a consistency in findings over time, but there is some evidence of growing problems as a result of the 1995 ISMI restrictions, particularly with respect to the reported levels of borrower arrears. However, all later studies have been undertaken within a benign economic context, and many rely on lender and borrower assessments rather than financial data; therefore the potential impact of the 1995 changes is not fully known. Studies suggest that other factors, such as lender forbearance and court procedures, also mediate outcomes.

2 MORTGAGE PAYMENT PROTECTION INSURANCE

Introduction

Mortgage Payment Protection Insurance (MPPI) has been the focus of much research interest consequent to the 1995 changes to the social security safety net. As noted in Chapter One, the reduction to state safety net provision was accompanied by an expectation that mortgagors would take out some form of insurance to cover mortgage payments in the event of loss of income. MPPI can provide time-limited (usually one year) cover in the event of the loss of all income due to one or more of accident, sickness and unemployment. The body of research included in this review has attempted to explore the relationship between MPPI and state provision, various aspects of MPPI (such as the level of take-up, the claims process) which might mediate its effectiveness, and how consumers respond to the expectation that they themselves should make provision for covering their mortgage payments should they experience loss of income.

Overview of relevant studies

Eleven studies addressing the effectiveness or some aspects of the effectiveness, of MPPI in preventing arrears and repossessions were entered into the review.

Three studies were concerned solely with MPPI (Whitehead and Holmans, 1999; Pryce and Keoghan, 1999; Ford and Quilgars, 2000). Seven papers examined MPPI in the context of: its relationship with social security safety net provision (Ford and Kempson, 1997; Kempson *et al*, 1999; Kemp and Pryce, 2002); mortgage arrears (Ford *et al,* 1995a); areas where private insurance is or has taken over part of the role of social security (Burchardt and Hills, 1997); public attitudes to the welfare state (Williams *et al*, 1999); and homeowners' attitudes to labour market insecurity (Munro, 2000). A final paper presented data from the CML's Annual Mortgage Survey, which included some information about MPPI take-up (Smith, 2002).

Whitehead and Holmans (1999) address issues around the economic principles that underlie the development of MPPI, the nature of MPPI products available at the time of study, and the evidence around appropriate levels of take-up; some secondary analysis of Family Resources Survey (FRS) data are also presented. Pryce and Keoghan (1999) attempt to test out the hypothesis that MPPI is 'crowded out' by ISMI, and the likelihood of MPPI take-up rising with unemployment. It is to be noted that only selected elements of this study have been drawn on here due to concerns about the way in which data were aggregated. Data from the FRS 1994/5 and the FRS 1995/6 were pooled to produce estimates of the numbers of people with MPPI. Such estimates, and any projections based on them, are considered untrustworthy, as the same questions regarding MPPI were not asked in the two consecutive FRS surveys.

Ford and Quilgars (2000) examined the role of financial intermediaries and their attitudes towards the selling of MPPI. The study considered: the way financial intermediaries view MPPI and their role *vis-à-vis* MPPI; the nature of the advice and selling process; the extent to which they monitor and evaluate this advice; and the costs to borrowers of using an intermediary. The researchers carried out in-depth face-to-face interviews with eight policy makers and advisors concerned with the development and regulation of the financial services sector, and with 19 financial intermediaries located in a range of different settings (e.g. estate agents, national finance companies, small independent service providers).

Three studies (Ford and Kempson, 1997; Kempson *et al*, 1999; Kemp and Pryce, 2002) examine MPPI and its relationship with the social security safety net. Ford and Kempson (1997) report research designed to assess the impact of the 1995 changes to the social security safety net and the development of MPPI. The study included a postal survey of 2000 borrowers (response rate of slightly less than 50%), 31 in-depth interviews with borrowers, a survey of 28 lenders, and interviews with representatives of five of the main insurers who provided 75% of MPPI policies. Data were also collected from the insurers. Kempson *et al* (1999) report research designed to assess the effectiveness of MPPI and the social security safety net, including an examination of the claims processes of both safety nets, their interaction with each other, waiting periods and the extent to which arrears are avoided by claimants. This study used two separate sample groups: a sample of both successful MPPI claimants (n=700, response rate of 47%) and unsuccessful MPPI claimants (n=300; response rate 15%), as well as a sample of ISMI claimants (see ISMI section). Due to the very poor response rate from rejected claimants, the information was treated qualitatively. Follow-up in-depth interviews were also conducted with 32 MPPI claimants (and 29 ISMI claimants).

Kemp and Pryce (2002) also report research to assess the impact of the 1995 changes to the social security safety net. Primary research elements of the report included a postal questionnaire to the 118 members of the CML (achieving a response rate of 58%, respondents comprised 24 banks, 50 building societies), analysis of the official data on ISMI payments, analysis of CML arrears and repossessions data and court order data.

Five other studies provided some evidence about aspects of MPPI, although their overall focus was wider. Ford *et al* (1995a) focussed on mortgage arrears and repossessions, conducting two surveys: a random sample of borrowers in arrears and not in arrears; as well as interviews with 15 mortgage lenders and district judges in 15 county courts. Burchardt and Hills (1997) examined three areas (of which one was mortgage protection) where private insurance has taken on, or may in the future take on, part of the role of social security. The study explored the theoretical principles of insurance, outlined the nature of the products available, and undertook statistical analysis using data from the British Household Panel Survey and the Department of Social Security. Williams *et al* (1999) considered attitudes to the welfare state mainly by drawing together the findings from a number of DSS studies undertaken in 1997/8 but also by carrying out ten focus groups across the country with people in a range of housing situations. Munro (2000) explored the extent to which labour market insecurity affected behaviour in the owner-occupied housing market by means of a survey of owner-occupiers in two cities, followed up by 45 face-to-face interviews. Smith

(2002) presented data from the CML's Annual Mortgage Survey, which is undertaken by adding questions to an omnibus survey conducted by MORI.

Structure

What circumstances are covered by MPPI?

- The predominant form of MPPI is ASU (combined accident, sickness and unemployment), although some insurers allow these elements to be unbundled.
- Stand-alone policies tailored to individuals are relatively unusual.
- Many circumstances which can lead to arrears (income loss or reduction due to relationship breakdown, giving up work to become a carer) are not covered by MPPI.

In their survey of lenders, Ford and Kempson (1997) identified that the predominant form of MPPI was ASU (combined accident, sickness and involuntary unemployment) in the mid 1990s, offered by practically every lender (n=27) in the survey. Just under one in two lenders offered alternatives, notably a budget ASU (which was typically cheaper because the deferral period (period between claim being made and payment starting) was longer, or the payment period for each claim shorter) or the opportunity to unbundle ASU where mortgagors could cover for accident and sickness only, or for voluntary unemployment only. There appeared to be little product 'innovation' in response to the ISMI changes. Stand-alone policies tailored to individuals were relatively unusual, in marked contrast to other types of insurance. Polices were more likely to be block policies offered to every one with conditions imposed on certain risk groups.

Ford *et al* (1995a) reported a survey of mortgagors in arrears. Only one quarter of those mortgagors who were in arrears and had MPPI had tried to claim. Although the study did not explore the reasons for not claiming, the authors suggest that non-claimants may well have been in arrears due to circumstances not covered by MPPI. Evidence from a later study (Kempson *et al*, 1999) shows that four out of ten people claiming ISMI do so for reasons not covered by MPPI (ie. lone parents following relationship breakdown, giving up work to become a carer, reduction in income due to the death of a partner).

Costs

- Average costs of MPPI cover appear to be falling slightly.
- Similar MPPI products are being offered at very different prices.
- MPPI premiums are rarely adjusted for individual risk.
- MPPI is an expensive product for consumers and government; a large proportion of the premium does not go towards paying claims and a chain of organisations take a share of the profit.
- Consensus from a sample of financial intermediaries indicates that MPPI is not seen by intermediaries as providing value for money.

- Cost of premiums is a disincentive to some, particularly low income mortgagors, however the decision to take out MPPI is mediated by a range of factors of which cost is only one.

Evidence regarding the costs of MPPI (in particular how policies are priced, whether MPPI presents value for money, and whether the costs of MPPI policies act as a disincentive to mortgagors or certain types of mortgagors) has been drawn from a number of studies (Burchardt and Hills,1997; Ford and Kempson, 1997; Kempson *et al.*, 1999; Whitehead and Holmans, 1999; Munro, 2000; Ford and Quilgars, 2000; Kemp and Pryce, 2002).

Drawing on previously published studies, their own survey of lenders, and figures from the 2001 Association of British Insurers (ABL)/Council of Mortgage Lenders (CML) survey, Kemp and Pryce (2002) state that the average cost of an MPPI premium appears to be falling. If the figures given by the authors are closely examined, it appears that average premiums do appear to be falling, but not by much. For example, Kemp and Pryce's survey identified an average charge by lenders of £4.90 per £100 of monthly mortgage payment (full accident, sickness and unemployment cover), compared to an average of £5.50 reported by the 2001 ABL/CML survey, and £5.49 reported by Ford and Kempson (1997).

Ford and Quilgars (2000) identified a wide range of costs across the sample of products offered by the financial intermediaries participating in their research. Costs ranged from between £1.50 to £6.70 per £100 cover. The low cost policy was offered by a lender to their own members only (compulsory for most new mortgages). The majority of policies offered cover at between £4.50 and £6 per £100 cover. Although prices varied according to the cover on offer (for example, length of deferral period from claim to payment, length of coverage), it seemed that many similar products were being offered at different prices, thus some products were clearly better value for money than others. Similarly Whitehead and Holmans (1999) note that the relative prices between lenders are 'not transparent'.

It is to be noted that some lenders offer 'free' policies to mortgagors for a specified period of time when they take out their mortgage. Kemp and Pryce (2002) report that 23 of the 72 lenders responding to their survey offered free unemployment policies, typically time limited for one year.

Whitehead and Holmans (1999) suggested that current pricing methods adopted by most insurers imply that low risk mortgagors are subsidising high risk mortgagors. Policies are sold at a uniform price, and risk assessment is not undertaken at an individual level (although certain conditions have to be met for a mortgagor to be eligible for MPPI, see below). A earlier study by Burchardt and Hills (1997) could only identify two insurers who set variable premiums, depending on age, postcode and occupation.

Value for money

Whitehead and Holmans (1999) noted that 'MPPI appears quite expensive to both consumers and the Government, with less than half of premium income being paid out in claims'. The remaining income went on commissions, administration and building up reserves. Similarly Burchardt and Hills (1997) estimated that 40% of premiums went towards administration costs and profits. As noted above, the range of different prices for apparently similar products identified by Ford and Quilgars (2000) suggest that consumers need to seek out those products offering the best value for money.

Financial intermediaries interviewed by Ford and Quilgars (2000) reported that the structure and cost of MPPI products were determined by lenders' priorities. Lenders acting as intermediaries for insurers were described as delivering volume business which in turn was reflected in a substantial income stream in the form of commission. The potential for volume sales allowed MPPI to be purchased at a low net cost but with lenders controlling the selling-on price, thus maintaining their own profit margins. The consensus among intermediaries was that MPPI was generally poor value, with the objective being to maximise profit. There were concerns that the most vulnerable mortgagors would be excluded at the point of sale to ensure that profits are maximised (see below). Intermediaries identified various layers of commission (underwriter, product provider, and one or more intermediaries) with often a chain of organisations taking a share of the profit forcing up the price customers paid for a product.

Costs of MPPI as a disincentive to consumers

There is some evidence to suggest that the cost of MPPI premiums acts as a disincentive to some mortgagors, particularly those on low incomes (Pryce and Keoghan, 1999). CML market research (Smith, 2002) indicated that 11% of mortgagors without MPPI reported that they could not afford the premiums, a reduction from 13% in 2000, and 14% in 1999. However, the decision whether or not to take out MPPI is mediated by a range of complex factors, of which the cost of the premium is only one (Munro, 2000; Whitehead and Holmans, 1999). Following the ISMI changes in 1995, many insurers reduced the cost of their premiums, assuming that it would boost sales in an increasingly competitive market. Evidence from the survey of lenders undertaken by Ford and Kempson (1997) showed however that very few lenders who had reduced the cost of their premiums believed that it had assisted with sales.

Accessibility and acceptability

The review sought evidence which might demonstrate whether access to MPPI (for example, the marketing and selling of MPPI products, difficulties for high risk groups in obtaining policies, lack of consumer knowledge about the availability of MPPI, choice of products, levels of take-up amongst mortgagors) affects the operation of MPPI as a safety net. The review also sought evidence regarding consumer attitudes towards MPPI, and how these might mediate its effectiveness.

How MPPI is sold

- Large numbers of borrowers with MPPI have taken insurance because prompted to do so by lenders or financial intermediaries rather than because they have actively sought insurance cover.

- Financial intermediaries give customers varying introductions and explanations of MPPI which affect take-up levels.

Evidence regarding how MPPI is sold is drawn from two studies, Ford and Kempson (1997) and Ford and Quilgars (2000). Ford and Kempson were concerned with assessing the impact of the changes to ISMI introduced in 1995; the selling of MPPI products was one of a number of areas investigated. Ford and Quilgars focussed directly on the role of financial intermediaries in promoting and selling MPPI, thus this later study provides a more in-depth account of the process of selling MPPI. It is also to be noted that a joint initiative by the mortgage industry and government resulted in the introduction of an MPPI 'baseline product' in 1999.

Following their survey of borrowers undertaken relatively soon after the ISMI changes, Ford and Kempson (1997) concluded that MPPI was 'sold and not bought and that some people are much easier to sell to than others'. At that time, take-up of MPPI by borrowers appeared to depend very much on their attitudes to risk and insurance cover generally, and the attempts that had been made to sell the policy. Large numbers of borrowers had taken out insurance because they were prompted to do so by their lender.

Given these earlier findings, the later study by Ford and Quilgars (2000) identified five main factors influencing the sales of MPPI: the nature of the selling process, the products on offer, the availability and preference of financial intermediaries for other insurance products, commission for advisors, and attitudinal factors. All intermediaries reported that they brought MPPI to the attention of customers buying a mortgage, and most stated that this was part of the Mortgage Code. Some intermediaries mistakenly thought that the Code required them to sell MPPI, whereas the Code only insists that it should be considered. Depending on the intermediary, customers received very different introductions and explanations of MPPI. The diverse nature of this advice and information resulted in very different take-up rates for MPPI. Mortgage advisors working with estate agents consistently quoted the highest figures of between 50% and 75% take-up by borrowers.

The financial intermediaries interviewed by Ford and Quilgars (2000) felt that MPPI offered an opportunity to replace the gap in intermediaries' income caused by the reduction in the emphasis on endowment mortgages. MPPI was seen as a relatively easy sale, not regulated, with no annual reviews, and was a product that paid in perpetuity. Regulation (Ford and Quilgars provide a useful overview of the then current regulatory framework) was not perceived to have had a significant impact on business beyond raising awareness of MPPI for a small number of intermediaries. Regulation had a bigger impact on record keeping and documentation.

Restrictive clauses to policies

- There are a number of groups of borrowers who are either excluded from MPPI cover, or eligible only under certain terms and conditions, notably the self employed, those on temporary work contracts, those with pre-existing health conditions, those with poor work histories.

Burchardt and Hills (1997) and Whitehead and Holmans (1999) outlined the sometimes conflicting objectives of government, insurers and the public. It is self evident that insurers will be reluctant to ensure high risk groups.

Ford and Kempson's survey (1997) of twenty-eight lenders identified a number of groups of borrowers who were either excluded from MPPI provision, or eligible for cover only under certain terms and conditions; these groups included the self-employed, those on temporary work contracts, those with pre-existing health conditions, and those with a history of discontinuous employment in the previous twelve months. The results of this survey showed that those with unstable employment histories faced the most restrictions; almost half the policies excluded such borrowers completely, while the rest imposed special conditions. One example of the terms and conditions was the need to be in continuous employment (sometimes with a minimum number of weekly hours specified) for the last six months. Burchardt and Hills (1997) also highlighted the exclusions and restrictions on claims. In their survey of policies, 64% of policies excluded disability or sickness resulting from pre-existing conditions for the life of the policy, and 36% of policies excluded such disability for the first one to two years.

A later survey of lenders reported in 2002 by Kemp and Pryce indicated, that since the introduction of the MPPI benchmark product, MPPI was becoming more accessible to high risk groups as had been intended by the benchmark initiative. However, the majority of lenders in the survey still did not offer policies without attached terms and conditions to the self-employed, those with a discontinuous employment record, those with a pre-existing health condition, those in temporary work, and those on fixed term contracts. However, an increased proportion of lenders reported that they offered MPPI with terms and conditions attached to these same groups compared to the Ford and Kempson survey. The number of lenders who reported those in discontinuous employment and those with a pre-existing health condition not to be eligible for MPPI had increased slightly. These data suggest that people who might be considered to be in the groups at higher risk of mortgage arrears, will still have difficulty accessing MPPI without conditions attached.

Choice of product

- The choice of MPPI products offered to consumers is severely limited.

Ford and Quilgars (2000) report that the choice of MPPI products offered to consumers was severely limited, and often non-existent. Of the nineteen intermediaries interviewed in their study, thirteen were offering only one product to their clients; five were offering a choice from between 2 to 6 products, but tended to favour some products over others. The types of product on offer were very similar, and a number of companies had chosen to offer the product of the same insurer. All the products appeared to be compliant with the baseline MPPI criteria, but in many areas only offered the basic requirements. The only area where the baseline was exceeded was that a number of policies offered thirty days wait rather than the baseline of sixty days. The intermediaries revealed that the process of selecting MPPI products to offer to clients was essentially an unsystematic one. Only four of the nine intermediaries selling ‘badged’ products (ie insurers products carrying the name of the intermediary as well) could explain why the product had been chosen, and the reason given was usually that the company HQ had selected the product. It was clear that none of the intermediaries had undertaken specific research into the market. The choice of product to offer consumers was heavily influenced by marketing strategies.

Attitudes towards risk

- Evidence suggest that there is not a linear relationship between perceived or real insecurity and take-up of insurance cover.

Evidence suggests that take-up of MPPI is mediated by various interrelated factors, of which one is the individual's attitude towards risk (Munro, 2000; Whitehead and Holmans, 1999; Burchardt and Hills, 1997; Ford and Kempson, 1997). Attitudes to risk vary from the extremely risk averse to the unrealistically optimistic; there is not a linear relationship between perceived or real insecurity and insurance cover (Munro, 2000; Ford and Kempson, 1997).

Attitudes towards MPPI

- Consumers with negative attitudes towards insurance generally are unlikely to take out MPPI whatever their perceived risk of being unable to meet mortgage commitments.
- Among those who have MPPI, positive attitudes towards the product are related to whether any claims made have been successful or not.
- Many financial intermediaries do not consider MPPI to be value for money.
- Public attitudes consider private insurance to be expensive and restrictive.

Qualitative evidence suggests that some consumers have negative attitudes towards insurance generally, and that these consumers are unlikely to take out MPPI (Ford and Kempson, 1997; Munro, 2000).

Kempson *et al* (1999) reported that 50% of their survey respondents who had made MPPI claims expressed positive views about MPPI; however attitudes were clearly related to whether a claim had been successful or not. Areas of dissatisfaction for claimants were the inflexibility of policies, time limit on payments, and a lack of transparency in the small print. Two out of three policyholders were generally satisfied.

Ford and Quilgars (2000) asked financial intermediaries how they assessed MPPI as a form of social protection. A small group of intermediaries were uncritical (particularly the estate agents in the sample), and roughly comparable numbers indicated considerable support with some reservations. The largest group however were more critical, identifying a series of limitations categorising the product. Main concerns were with claims records of companies offering MPPI, the wait for payment, the moratoria arrangements (ie. insurers not asking about particular health or employment conditions and then asking when the claim is made), definitions of bankruptcy, disability and so forth. Some intermediaries argued that it would be preferable to put the various types of insurance together, for example Critical Illness Cover with MPPI, to tailor social protection to customers' needs.

Williams *et al* (1999) reporting a public consultation study concerned with attitudes to the welfare state, indicated there were conflicting views as to whether homeowners should take out private insurance. On the one hand some felt that a house was an asset, and therefore individuals should take the responsibility for that asset; on the other hand it was felt that homeowners had paid taxes and national insurance contributions and should receive assistance during times of unemployment and sickness. Homeowners in particular felt that the government should provide assistance as private insurance was expensive and restrictive. Consultation indicated that if ISMI was no longer available then a form of MPPI would be acceptable, however it would need to be government backed and cheaper than commercial policies, far less restrictive, and compulsory.

Understanding of MPPI

- Consumer understanding of MPPI is not sophisticated.

Burchardt and Hills (1997) note the complex decisions that need to be taken by consumers in order to calculate their risk of being unable to meet their mortgage payments, and take measures to reduce those risks. Evidence suggest that consumer attitudes to risk is not rational, nor is their understanding of insurance products developed. In their survey of mortgagors carried out in 1996, Ford and Kempson (1997) found that many mortgagors with MPPI were confused about the cover they had; some thought their cover would start straight away and did not appear to understand there was a wait period; others thought the wait period was longer than it was; some thought the cover was without limit of time. Borrowers who had cancelled MPPI policies were asked their reasons for cancellation; most commonly borrowers reported a change in circumstances where MPPI was no longer needed; also people cancelled on the grounds of costs.

Take-up

- It has been estimated that between 40% and 50% of mortgagors would benefit little from MPPI, as they have sufficient savings or other household income to cover mortgage payments.

- MPPI take-up has seen a modest growth since the 1995 ISMI changes. One study estimated that 1 in 5 of all mortgagors, but 1 in 3 of mortgagors taking out a new mortgage in 1995/1996, had MPPI.

- Take-up is higher among certain groups, and seems likely to be related to MPPI marketing strategies (which target new mortgagors for example), although there is no evidence of adverse selection.

Whitehead and Holmans (1999) used data from the 1996/7 Family Resources Survey to identify owner-occupier households with sufficient savings, or sufficient income from a second earner in the household to be able to cover mortgage payments should the main household income be lost. The authors suggest that between 40% and 50% of owner-occupier households would gain little from taking out MPPI unless they are very risk averse. The authors also note these figures are very susceptible to fluctuations in interest rates, and also take no account of other financial commitments which might take priority over mortgage repayments.

CML market research undertaken in 2001 (Smith, 2002) indicated that 31% of all mortgagors reported that they had some type of insurance to cover mortgage payments in case of sickness, accident or unemployment. These figures however are not consistent with 22.5% take-up of MPPI reported by lenders and insurers to the CML for the second half of 2001 (CML, 2002)[5]. The author suggests that a significant proportion of mortgagors think they have MPPI when they do not, or hold other insurances (such as Critical Illness insurance,

[5] CML data collected from lenders and insurers were not included in the review as the review did not cover raw data, only published empirical studies.

Permanent Health Insurance) which might cover mortgage payments in some circumstances.

Ford and Kempson (1997) carried out a survey of mortgagors in the year following the ISMI changes. The results showed a very modest growth in take-up of MPPI compared to expectations of what would happen after the 1995 ISMI changes. The results of the survey showed only one in five borrowers had MPPI, and only 1 in 3 borrowers taking a mortgage in 1995/1996. The survey also showed different levels of take-up of MPPI among different groups. Take-up was higher among young people, single people, people who had taken out mortgages since 1995, people who remortgaged their existing home, or moved house, and people who had high levels of other insurance and positive attitudes towards insurance. Household financial circumstances did not appear to be related to take-up of MPPI. It seemed that groups with greater take-up of MPPI were those most likely to have been targeted by MPPI marketing strategies aimed at new mortgagors. There was no evidence from the sample of mortgagors of adverse selection, a finding echoed by lenders surveyed by Kemp and Pryce (2000) who report that high risk borrowers had slightly lower levels of take-up than others.

Commission-based sales of MPPI (rather than direct sales by insurance companies) are seen to restrict the potential take-up of MPPI (Whitehead and Holmans, 1999).

Delivery

The review sought evidence as to whether any aspect of the delivery of MPPI policies (ie the claims process, means of making payments) affected its effectiveness as a safety net. Evidence regarding the claims process is drawn from two studies: Ford and Kempson (1997) and Kempson *et al* (1999). Both utilised large surveys, followed by more in-depth qualitative interviews, to explore different aspects of MPPI.

Claiming

- On average less than 4% of MPPI policyholder submit claims

- Approximately 40% of claims made relate to unemployment and 60% to accident and sickness.

- Lenders report that 80% of claims are successful. Claims are unsuccessful due to: pre-existing medical conditions; claims being made too early (which are subsequently successful); borrowers not meeting the criteria for the policy (suggesting some policies have been missold).

- Claiming process can be problematic.

Ford and Kempson (1997) collated data from insurers that showed that on average 3.6% of policyholders submit claims; 40% of claims related to unemployment and 60% were related to illness or accident. Levels of claims appeared to be falling from those in the recession period of the early 1990s, although the number of claims relating to illness or accident had remained fairly stable. Lenders did not feel that the 1995 ISMI changes had made a difference to the number of claims. Lenders reported that on average around 80% of claims were successful, although this varied from insurer to insurer. According to insurers there were three main reasons why claims failed: claims for a pre-existing medical condition or for unemployment when redundancy was known to be imminent at the time the policy was taken out; borrowers claiming too early or not waiting for the 30 or 60 days required by the policy (most of these claims are consequently met if the borrower remains out of work beyond the initial wait period); borrowers not meeting the criteria for the policy and who may not have done so when the policy was taken out, suggesting they were missold the policy. The first two reasons were considered by insurers to be most commonplace. Insurers were concerned about fraudulent claims, suggesting 5% of claims were fraudulent, usually people failing to inform the insurers when they returned to work.

In a later study Kempson *et al* (1999) reported that claims were most commonly rejected on the grounds that claimants were sacked or had left their job voluntarily, had health problems prior to taking out the policy, or whose work status was temporary or a fixed term contract. Other failed claims related to circumstances that were specifically excluded from the policy; although most of the claimants did not realise they were not covered, others had been encouraged to claim by their mortgage lender. Complications were reported by claimants where they felt they had been unfairly dismissed from work, as insurers appeared more likely to take the employer’s word regarding the reasons for dismissal. When people had disclosed a prior health problem when they took out the policy they felt they would be covered. Where claims had been rejected, households were more likely to have experienced arrears, and were more likely to be single people, young householders, or households with no other earnings.

When the period of MPPI cover finished, claimants reported difficulties if they returned to work on a lower income, or had continuing health problems, or were not entitled to ISMI, or were taking temporary jobs.

MPPI claimants reported that the claims forms were straightforward but forms were frequently reported to have been lost (Kempson *et al*, 1999). It was impossible to sort out queries by telephone and queries had to be made in writing. Claimants had to provide evidence of job seeking. Reasons for unemployment could making claiming problematic; for example if people had been told to resign rather than be sacked and had ‘dismissal’ on their CV. Medical certificates were required at regular intervals. Payment was delayed when claims were not straightforward.

Delivery in conjunction with other safety nets

See ISMI section above.

Outcomes

Impact on arrears and repossessions

- Only two studies directly addressed the impact of MPPI on arrears and repossessions.

- A survey of mortgagors in arrears reported that 13% of those in arrears had MPPI, but only 1% had made a claim on their policy.

- Four out of five households making successful claims avoid arrears. Arrears usually occurred during the wait period, and when the time-limited cover came to an end.

- Almost one third of people in arrears, and one third of people experiencing repossession would have been eligible for MPPI, as they had experienced circumstances that might have led to a claim.

The main outcomes of interest of the review were the impact of safety nets on levels of arrears and repossession. Evidence was sought to establish whether MPPI protected policyholders from getting into arrears, or ultimately from being repossessed. Only two studies (Ford *et al*, 1995a; Kempson, *et al*, 1999) addressed the impact of MPPI on levels of arrears and repossessions. These two studies, although both large surveys with qualitative elements, considered two different populations, and are not directly comparable.

A study seeking to establish the characteristics of people with mortgage arrears (Ford *et al*, 1995a) could find no evidence that homeowners had avoided arrears by drawing on their MPPI protection plans. It should be noted that the fieldwork for this study was undertaken prior to the ISMI changes in 1995, at the end of an economic recession with a stagnant housing market. At the time of this study, four main reasons (often in combination) for arrears were identified as accounting for more than two thirds of arrears: redundancy; drop in earnings; small business failure; and relationship breakdown. A component of this study was a survey of borrowers in arrears, which identified that 13% of those in arrears had MPPI (note the authors report these figures to be consistent with estimates from the same time period of the proportion of borrowers with MPPI drawn from other surveys and figures from the Council of Mortgage Lenders). Only 1% of those in arrears, and 1% of those not in arrears had drawn on MPPI policies. Those most likely to have drawn on their MPPI policies were those who had been repossessed; 5% of those who had been repossessed had made a successful claim, suggesting that MPPI at the time of the study did not offer adequate cover to those most in need. Only a quarter of those in arrears who had MPPI had tried to claim. Two thirds of claims had been unsuccessful for a variety of reasons: they did not meet the qualifying criteria; claimants had not understood the circumstances under which they could claim; interpretation by insurance companies of self-employment; or cessation of payment when claimants took up part time work or remortgaged their property. The authors of the study concluded that the MPPI claiming process was very problematic and more often than not did not prevent arrears. In its favour, the authors noted that MPPI covered insured payment irrespective of the income available to other household members.

The authors of the study estimated that 27% of those in arrears and 29% of households repossessed would have been eligible for MPPI and had experienced a change of circumstances that might have led to a claim, given the type of restrictive clauses to MPPI policies then operating. Although these figures seemed to indicate that there was greater potential for MPPI, the low success rate of claims reported in the study indicated that fewer than 1 in 10 of borrowers in arrears or experiencing repossession would succeed in claiming.

A more recent study (Kempson *et al*, 1999) designed to assess the effectiveness of both MPPI and ISMI, surveyed samples of both successful and unsuccessful MPPI claimants. Four out of five households making successful MPPI claims had avoided arrears on the mortgage; where successful claimants had arrears, these usually occurred in the wait period and again when MPPI finished, or because MPPI did not cover the full mortgage payment. Those MPPI claimants who were most likely to have kept up mortgage payments were:

households headed by older people (aged over 45); those who had income from an occupational pension or wages at the time of the claim; those with more than £3,000 in savings; those claiming for the partner’s job loss and not that of the head of household; and those with mortgage repayments of less than £200 per month.

More recently information collected from lenders (Kemp and Pryce, 2002) indicated that around two fifths of mortgagors receiving MPPI payments were in arrears. The authors reported that the range of those in arrears from one lender to another was wide (however the range was not reported), and that some lenders were unable to report this information (again the number of lenders was not specified).

Conclusions

MPPI can be seen to offer adequate cover for people facing short episodes of illness or unemployment, who have previously been in stable work situations and good health.

There are concerns however regarding the circumstances that MPPI, as a private insurance product, does not cover. For example, half the households who fall into arrears do so for reasons not covered by MPPI (for example relationship breakdown, giving up work to become a carer, the death of a partner and consequent loss of income). Some groups (for example the self employed, those with poor work histories, those with pre-existing medical conditions) may find it difficult to obtain full accident, sickness and unemployment cover. There are various estimates of the number of unsuccessful MPPI claims. Reasons reported for claims being turned down seem to indicate that many MPPI claimants do not understand the cover they have and the circumstances under which they can claim.

There are concerns regarding the cost of policies, and whether MPPI generally provides value for money.

Take-up of MPPI is mediated by a complex range of factors, including consumer attitudes to risk, attitudes to insurance, consumer awareness, the cost of policies, and targeted marketing.

3 OTHER PRIVATE INSURANCES

Introduction

The Government, trade associations and independent researchers (Ford and Quilgars, 2000) have all suggested that a full assessment of safety net provision can not be made without evaluating the role of private insurances beyond MPPI. Three main types of insurances were included in this review:

- income protection (IP)/ Permanent Health Insurance (PHI);
- Critical Illness cover (CI), and;
- unemployment insurance (not tied to a mortgage).

Overview of relevant studies

Only three articles on the effectiveness of other private insurances were included in the final review (Burchardt and Hills, 1997; Dinani *et al*, 2000; H2B, 2001). A number of reports and substantial trade literature existed in this area, but most references did not meet the inclusion criteria as they made no reference to the population of interest (mortgagors) or the condition of interest (mortgagors in financial difficulties), and/or they did not meet the study design criteria.

Two of the three studies were concerned with the role of Critical Illness. Dinani *et al* (2000), a quantitative study undertaken by the Critical Illness Healthcare Study Group (part of the Institute of Actuaries), investigated CI claims of 32 providers over the period 1991-1997, as well as using population data to produce a Base Table to benchmark experience. Whilst this study was very specialist and written for actuaries, it also included useful national information on the overall pattern of CI claims. However, although the study was published in 2000, many of the data are now dated. Complementing this quantitative study, the Institute of Actuaries/ ILAG commissioned H2B (a research organisation) (2001) to undertake a qualitative study of 35 CI policyholders to explore customers' understanding and views on the insurance. All of the interviewees were homeowners, many of whom held CI combined with mortgage protection or ISA/ endowment policies. Interviews were undertaken in 2001 in seven English cities, and included interviews with equal numbers of men and women as well as a spread of social class, occupation and age. It should be noted that the H2B study consisted solely of detailed overheads: a full report was not available.

The third study (Burchardt and Hills, 1997) focussed on Permanent Health Insurance, along with MPPI and Long-Term Care Insurance. This academic study for the Joseph Rowntree Foundation explored the theoretical principles of insurance, as well as the nature of PHI by analysing 71 policies compiled from trade sources. PHI was also evaluated alongside the (then) state benefit Invalidity Benefit (now Incapacity Benefit) using DSS claims information for 1993/4. Whilst the data sources are now out-dated, the theoretical discussions remain relevant.

Structure

- The majority of Critical Illness insurance is written as 'accelerated' life cover, and is often sold alongside mortgages.

- Qualitative interviews revealed that policyholders were happy with a 'one size fits all' Critical Illness policy, but were concerned about time limits contained within policies (re: qualifying periods and time allowed to claim).

- Permanent Health Insurance was a complex product with a range of eligibility requirements and different options for cover.

The Dinani study (2000) presented an overview of the CI market, noting that around 85% of CI is written as 'accelerated' life cover (that is attached to Whole Life, Endowment or Term Assurance policies) and that a major factor in the growth of CI has been the sale of cover alongside mortgages. Most insurers provide CI cover for 6-10 core conditions, with some also offering more comprehensive cover of up to 30 illnesses. A few providers have launched 'budget' policies that cover a few illnesses only. A 'Buy-back' policy has also been introduced where some or all death benefit can be reinstated after a certain period after a claim for CI.

The H2B study (2001) reported two main negatives concerning the structure of CI when these were discussed with policyholders (see 'delivery' below re: level of knowledge of cover): firstly, all respondents felt that the requirement to survive for a set number of days to qualify under the policy (where there was no life cover) was arbitrary and unfair; secondly, many also felt it was unacceptable that there was a requirement to inform the insurance company of a claim within a set time period of the onset of critical illness. Conversely, respondents approved of the 'one size fits all' policy where all events are rated equally under a claim, and they were broadly satisfied with the critical illnesses covered by their policies (though some feared that they would develop a condition outwith the policy).

Reviewing their trade sources, Burchardt and Hills (1997) identified a number of eligibility restrictions for PHI, including requirements for good health (or higher premiums), expectations of employment/ self-employment, claim restrictions around employment (for example, 61% of policies used the criteria 'totally unable to follow own occupation and not following any other', 13% tightening this after 2 years to 'unable to follow any occupation'). Half of policies paid no benefit if the insured person was unemployed immediately before the claim. In addition, individual policy premiums depended on factors such as sex, age, occupation status, deferral period and expiry age. Women typically paid 50% more than men for PHI cover.

Accessibility and acceptability

Access

- There were a number of 'triggers' to taking out cover. The role of a financial advisor was key to influencing CI take-up and often the only source of information for potential consumers. Some consumers were more active in the process of seeking specific cover, others were more passive, taking the cover as part of a wider package often involving the mortgage.

- Customers made some calculations surrounding when to take out cover and what cover would be most appropriate; potential policyholders might be put off by the cost of policies, by lack of awareness of cover and little or no perception of risk.

- An insurance, rather than tax based, system of income protection was regressive, especially for younger people, women and disabled people.

The H2B research (2001) identified a number of triggers to the purchase of CI including: health of other family/friends/getting older; increase in financial commitments; contact with advisors (who were increasingly mentioning protection, including some hard-selling); change in circumstances; and nature of work. The study characterised policyholders into active and passive purchasers. Passive purchasers frequently bought a policy when arranging a mortgage, with CI being seen as part of the package and just another cost. (Within the qualitative study, this particularly applied to younger and male respondents.) Active buying was associated with explicit concern around health (more likely to be female and older respondents) and being unable to work (overstretched, one-income respondents with dependents and expensive lifestyle). The role of the advisor was very dominant in accessing the insurance, and usually the only source of information.

The H2B study (2001) was unable to examine how cost affected take-up, but there was some evidence that people took out what they perceived to be an 'appropriate', rather than comprehensive, cover; that they made a trade off with other types of cover; prioritised cover for the main breadwinner and delayed starting cover (e.g. after initial expense of new home). Some respondents did consider CI expensive and were concerned that it was 'dead money'. Respondents agreed that three key factors were likely to put other people off CI: the cost, lack of awareness of this type of cover, and little or no perception of risk.

Burchardt and Hills (1997), examining the relative costs of PHI and Invalidity Benefit (IVB), concluded that commercial PHI cover for a typical younger employee, whose claims behaviour was no different to IVB, was very expensive (e.g. £11 per month for £250 PHI benefit per week compared to an actuarial premium of £3). However, caution was recommended in interpreting results due to different eligibility for PHI and IVB, particularly for older groups where commercial rates appeared cheaper but where IVB was probably being used as form of early retirement, thereby artificially inflating IVB costs. IVB data suggested little difference between expected periods of sickness for men and women. Overall, their analysis revealed that moving from a tax based to insurance-based system was regressive, especially for younger groups, women and disabled people.

Consumer understanding of insurance products

- Qualitative interviews revealed a very poor level of knowledge amongst CI policyholders of the detail of their cover.

The H2B study (2001) reported poor knowledge of the product cover amongst policyholders. This appeared to be partly explained by a 'real distaste at the thought of reading details of serious illness and probable death'. Whilst respondents were aware of the monthly cost, major illnesses covered and whether they had life cover, only some knew whether the payment would be a lump sum or monthly payment, whether it was paid to them or the lender, policy exclusions, the value of the sum insured, any likely requirement for a medical, that the policy would terminate on a claim, and the need to survive in order to claim the policy (if there was no life cover).

Attitudes

- Overall, there was little evidence on consumer attitudes, but one qualitative study revealed a wide variation in views on private protection generally, and CI in particular.

The H2B study (2001) revealed a wide variation in attitudes towards protection generally and CI in particular. For some, CI was seen as a very important feature of personal protection, for others as an affordable extra. For those with CI held alongside mortgage products, some perceived that protection was for lenders as well as the customer. (Also see below: delivery in conjunction with other safety nets).

Delivery

Claiming process

- The proportion of successful to rejected claims for some types of critical illnesses was much higher than for others (for example, only 7% of cancer claims were rejected compared to 23% of multiple sclerosis claims and 57% of total and permanent disability claims).

The main value of the Dinani *et al* study (2000) was presenting information on approximately 7,000 CI claims over the 1991-1997 study period. Three critical illnesses (cancer, heart attack and stroke) accounted for 80% of admitted claims. Just over a fifth (21%) of claims were declined but this was found to differ markedly by condition. Cancer claims were the most likely to be paid out (7% rejected), followed by heart attacks (16% rejected), strokes (19%), CABG (22%) and multiple sclerosis (23%). However, a third (33%) of major organ transplant/ kidney failure, and over half (57%) of total and permanent disability claims, were rejected. Overall, 70% of claims were not met as they were deemed not to meet the policy definition, whilst 22% were due to non-disclosure. The authors concluded that there was a problem with consumer understanding/insurer explanation for a number of conditions. The study also provided a breakdown of the claims by gender (65% of claims were by men; 35% by women), as well as by condition for example, 90% of heart attack claims were by men, whilst 65% of MS claims were by women.

Delivery in conjunction with other safety nets

- Qualitative information suggested that policyholders found it difficult to distinguish between different types of protection policies (e.g. MPPI, CI, PHI).

In the H2B study (2001), respondents were asked how cover fitted with other kinds of insurances: life assurance was seen as most important, followed by CI. PHI was seen as expensive, as well as offering cover that an employer may provide. MPPI was seen as an add-on warranty, desired by lenders more than consumers. An important finding was that policyholders found it difficult to distinguish between the benefits of the main health protection products.

The Burchardt and Hills study (1997), despite examining both MPPI and PHI, did not examine the interplay between the two types of interventions. PHI was evaluated against the availability of state work-related benefits, including Occupational Sick Pay, Statutory Sick Pay (SSP) and Incapacity Benefit. It was noted that, whilst Incapacity Benefit was taxable, its level was not affected by other income like PHI, although PHI could be taken into account for means-tested benefits.

Outcomes

- There were no data available on the impact of other private insurances on arrears or repossessions.

Whilst the Dinani *et al* study (2000) looked at the pattern of claims, it was unable to examine how CI payments were used by policyholders, and therefore did not present any information on the impact on arrears or repossessions. Burchardt and Hills (1997) did not involve any primary survey research. The H2B study (2001) focussed on policyholders rather than claimants so data on outcomes were not available. It was however reported that some policyholders, despite purchasing the insurance, had some doubts as to whether insurance companies would pay out on a claim.

Conclusions

Overall, the evidence on the role of other insurances in helping mortgagors meet their mortgage repayments is very slim. Whilst the above studies provide some useful information on structure and process issues, information on outcomes is almost non-existent. Only one study was included on PHI (and this study would have been excluded if it had not also included MPPI), and no studies on unemployment insurance.

Recognising this gap, the Office of the Deputy Prime Minister, the Department of Work and Pensions and the CML recently commissioned the Centre for Housing Policy, University of York to undertake the first study to explore insurances beyond MPPI. The study will include interviews with a national representative sample of 1,000 mortgagors (via a sift of the Survey of English Housing) to determine take-up of, and views on, private insurances (including CI, PHI and unemployment insurance) and ISMI, as well as 40 qualitative interviews on the claiming process (half on insurance, half on ISMI). This study is due to report in May 2003 and will represent the first piece of comprehensive research in this area.

4 FLEXIBLE MORTGAGES

Introduction

Flexible mortgages are relatively new products in the UK mortgage market. Smith *et al* (2002) provide a useful definition of flexible a mortgage as '*A secured loan which can be paid back in varying instalments while providing access to housing equity within pre-agreed limits'.* Although flexible mortgages are not seen to be 'safety-nets' in the same way as MPPI or ISMI, some products do nevertheless offer facilities for underpayment (usually under certain conditions), and can therefore be seen to allow mortgagors in unforeseen financial difficulties the opportunity to sustain their mortgage through periods of income loss or reduction.

Relevant studies

Only two studies concerned solely with flexible mortgages were entered into the review (Smith *et al*, 2002; Dudleston, 2001).

The study conducted by Smith *et al* (2002) aimed to provide an overview of the characteristics, use and future prospects of flexible mortgages in Britain. The study had three features: a market analysis of flexible mortgage products carried out at the end of 2000; a survey of lenders offering flexible mortgages in 2000 (of the 54 lenders offering flexible mortgages at the time of the study, 49 took part in the study); and face-to-face interviews carried out with 486 flexible mortgage borrowers (identified with the assistance of various lenders) in the north, midlands, south and south west of England conducted by MORI in 2001.

Dudleston's study (2001) aimed to examine lender attitudes towards flexible mortgages as potential mechanisms to alleviate tension between labour market changes and mortgage finance and borrower risk. This is a qualitative study constructed on the basis of in-depth interviews with 18 lenders and 3 mortgage brokers. Fieldwork was carried out in 1997/8.

Structure

- Flexible mortgage products are still under development; different products offer varying levels of flexibility. Where underpayment facilities or payment holidays are on offer, these usually require previous overpayment.

Given that flexible mortgages are relatively new mortgage products, evidence regarding how their structure (ie. a secure loan which can be paid back in varying instalments) actually operates to assist mortgagors in unforeseen financial difficulties

Smith *et al* (2002) note that the pool of lenders offering flexible mortgages is expanding all the time, thus over time it is likely that product profiles will change. Both Smith *et al* (2002) and Dudleston (2001) attempted to identify what is meant by the term 'flexible mortgage'. Both studies identified varying levels of flexibility offered by different products and the proliferation of products marketed as flexible mortgages.

Five core facilities of flexible mortgages reported by Smith *et al* regarded as essential by lenders were:

- regular overpayments;
- lump sum deposits;
- payment holidays;
- regular underpayments;
- lump sum withdrawals (either limited by the previous level of overpayment or limited by housing equity).

A further key feature is a daily calculation of interest, although about a quarter of products calculate and capitalise interest monthly.

Depending on the product, flexible features can be quite restricted, with no underpayment facility and limited access to overpayments, or can offer enormous flexibility to borrowers, allowing deposits and withdrawals at any time. Of the products identified by Smith *et al* (2002), 57% offered both underpayments and payment holidays, and a further 36% offered payment holidays only. Nearly two thirds of the products which allow payment holidays attach one or more conditions to such breaks, for example linking the holiday to capital invested through previous overpayment; a further third of products expect the loan to have been serviced in advance of the payment holiday. Similar conditions were attached to the less widely offered facility to underpay.

Accessibility and acceptability

Access

- Although there are no obvious exclusions, it appears that flexible mortgages are targeted at the more affluent, and more financially literate borrowers.

- Lenders consider that flexible mortgages are only useful for higher paid contract workers. Most borrowers are not considered sufficiently financially sophisticated to be able to make best use of the various ‘flexible’ facilities offered.

- Those who currently hold flexible mortgages are slightly older and more clustered in social classes A and B compared to other new borrowers, however they might not be representative of mortgagors opting for this type of product in the future.

Smith *et al* (2002) identified that flexible mortgages were being sold through traditional channels with intermediaries playing an obvious role. There were no obvious exclusions, however some exclusions may be imposed indirectly through the setting of minimum loans. Indeed house prices in some areas are too low to reach the minimum loan level (Smith *et al*, 2002). In 2000, marketing strategies, high minimum loans, and the type of customer lenders tended to attract seemed to suggest that most products were geared towards borrowers in higher income brackets.

Flexible mortgage borrowers identified at the time of the Smith *et al* study (2002) may not be representative of the mortgagors opting for this type of product in the future. They might be seen to be ‘early adopters’ of new products. Those who participated in the survey appeared to be slightly more affluent and more financially literate than average, and not representative of low-income homeowners. They were slightly older and more clustered in social classes A and B compared to other new borrowers; nearly two thirds had held at least one previous mortgage, and two in five had owned more than three properties.

In Dudleston’s study lenders perceived that in the short term flexible mortgages are costly and complicated, and at that time available to a limited range of borrowers, usually high income borrowers. Lenders felt that most borrowers were not financially sophisticated enough to be able to make best use of the various facilities offered. The consensus view from lenders was that flexible mortgages were only useful for higher paid contract workers.

Attitudes and perceptions

- Those with flexible mortgages believe that flexible mortgages are a useful insurance policy against reduction in income.

Safety nets and security did not feature prominently in marketing material collated by Smith *et al* (2002); most flexible mortgage products were marketed as being able to provide significant long-term savings and adaptability to changing life styles. However nearly two thirds of the flexible mortgage borrowers surveyed by Smith *et al* (2002) felt that a flexible mortgage was a useful insurance policy against a fall in income; 47% of borrowers felt that flexible mortgages would better equip them to keep their homes in times of financial insecurity, and would draw on the flexibility in their account or draw on savings to tide them over.

Delivery

Delivery/usage

- Currently the most commonly used features of flexible mortgages are those that allow borrowers to get ahead with their mortgage.

- These products have yet to be tested through an economic downturn.

Nearly half the borrowers surveyed by Smith *et al* (2002) had made no use of the flexibility their mortgages offered; the most commonly used flexible features were those that allowed borrowers to get ahead in their mortgage repayment schedule and clear the loan earlier. Very few had used the payment holiday/underpayment facility giving financial well-being as the reason. Lenders monitored mortgage accounts regularly to pick up arrears, and 69% of lenders would alert borrowers who were not making the minimum required payment.

Delivery in conjunction with other safety nets

- There are several interesting 'unknowns' around flexible mortgages and their interaction with other safety nets, particularly ISMI.

Smith *et al* (2002) reported that when flexible mortgage borrowers were asked what their strategy for meeting mortgage payments would be should they lose income, 25% stated that they would use an insurance other than MPPI/ASU; 24% said they would draw on savings; 17% would expect employer benefits to cover their mortgage; 16% would expect their partner's income to cover their mortgage; 12% would claim on MPPI/ASU; and 11% would use the flexible facilities of their mortgage[6]. Smith *et al* (2002) estimated that just under one third of flexible mortgage borrowers would be eligible for benefit should they lose income, but only one in five of this sub-group had the insurance they would need to tide them over until ISMI becomes payable. Very few people in this ISMI-eligible sub-group were actively using their flexible mortgage to build up a surplus.

Smith *et al* (2002) point out that the complexities of interest rate calculations, particularly for those mortgages where the boundaries between housing loans and savings may make it difficult to identify when mortgagors go into arrears, may make ISMI payments extremely difficult to calculate. Smith *et al* (2002) also note several 'interesting unknowns' around flexible mortgages and how they might work with ISMI. If mortgagors are able to fall back on their previous overpayments, they might effectively be financing their own arrears and potentially accumulating greater debt when they could be entitled to state help. Secondly if mortgagors use the facility to roll all their savings into a mortgage account – and this might appear a sensible alternative to holding saving in a separate, taxable, low interest savings account – savings would not be taken account of when means testing for ISMI; thus anyone with savings less than their outstanding loan, and without a partner in employment would be eligible for ISMI if they lost their income.

---

[6] It should be noted that 17% of flexible mortgage holders said they held a ASU/MPPI policy, 42% said they held Critical Illness and 28% a PHI policy .

Outcomes

- The potential effectiveness of flexible mortgages in assisting mortgagors to avoid arrears and repossession has yet to be tested.

- Evidence suggests that those currently holding flexible mortgages who would be eligible for ISMI are not building up sufficient surpluses to cover the ISMI gap.

Smith *et al* (2002) reported that many borrowers felt that a flexible mortgage was a useful insurance policy against a fall in income; however current evidence gives little indication of how flexible mortgages could enable mortgagors to sustain their home in times of income loss or reduction. Flexible mortgage products vary in the levels of flexibility they offer; some do not allow for underpayment, or payment holidays, and those that do attach conditions such as previous overpayment before mortgagors can draw on these facilities. Smith *et al* (2002) identified that very few ISMI-eligible flexible mortgage borrowers were actively building up surpluses which might cover the period before ISMI payments

Lenders interviewed in Dudleston's study suggested that flexible mortgages would only be useful as a safety net if additional payments are made, and are very substantial; debt could rapidly increase with underpayment, and the credit facilities offered might compound and increase risk of debt rather than reduce it.

Conclusions

Flexible mortgages are a relatively new entrant to the UK mortgage market; as yet there is no 'baseline' product. Evidence suggests that different products offer varying levels of flexibility. Those mortgages that offer underpayment facilities or payment holidays often require previous overpayments. These products have yet to be tested in times of recession, high interest rates, increasing unemployment, or falling house prices.

Chapter 4 Conclusions

Introduction

This concluding chapter presents a discussion of a range of issues identified in the conduct of this review. The challenges of adopting the methodology of systematic reviewing in a complex social policy field are outlined. The characteristics of the knowledge base for safety nets are considered, and recommendations regarding further areas of study are made. A brief comparison of this review to a more traditionally based literature review on safety net research (Ford and England, 2000) is presented and the comparative strengths and weaknesses of the different approaches explored. The chapter closes with a discussion of the future role and usefulness of systematic reviewing for policymaking in general.

Methods

The aim of this project was to conduct a fully systematic review of effectiveness in a complex social policy field. As expected, methodological challenges were encountered throughout the review process. These centred on:

- formulating the review question;
- searching for and retrieving evidence;
- hierarchies of evidence;
- quality appraisal of research;
- final data synthesis and interpretation of the evidence.

These challenges and our approach to them are discussed below.

Formulating the review question

At the beginning of the review process considerable time was given to formulating the review question. Each element of the question – effectiveness, the interventions of interest, the population of interest, and the primary outcomes of interest – had to be clearly defined. The value of establishing this clarity became quickly apparent as the review progressed.

Defining what was meant by 'effectiveness' was very problematic. The various stakeholders ─ consumers, insurers, mortgage lenders, government ─ might understand effectiveness in a variety of ways (see Whitehead and Holmans, 1999). Similarly in the context of complex interventions such as safety nets for mortgagors, different aspects of an intervention can mediate the impact of the intervention on the primary outcomes. Certain aspects of an intervention might be seen to be highly effective, and others not so. One example might be ISMI, which can cover loss of income caused by a variety of causes including relationship breakdown or a pre-existing health condition (neither event is covered by private insurance) but is restricted in access to those eligible to claim Income Support/income-based Jobseeker's Allowance.

It was decided to expand the conceptualisation of effectiveness, and not only to seek evidence regarding the effect of the interventions on the primary outcomes, but also to include additional process information in order to understand factors, both internal and external, that mediated the effect of each intervention on the main outcomes of interest. Similarly the perspectives and attitudes of different stakeholders were actively sought, and these were taken into account.

As evidence was retrieved it became clear that many studies did not address the interventions' outcomes, but focussed rather on *how* they might be working. By adopting a wider conceptualisation of effectiveness, the review was able to gather evidence of significant policy interest which would not have been included had there been a narrower definition and a strict focus on primary outcomes. For example, significant attitudinal barriers to the take-up of insurance products were identified, which have the potential to reduce the intervention's usefulness as a major policy tool.

Searching for and retrieving evidence

The research team was fortunate in being able to draw on the considerable experience of the NHS Centre for Reviews and Dissemination at the University of York in devising a search strategy. This process would have been, without doubt, much more difficult and time-consuming without this expertise.

Some of the difficulties encountered in searching electronic databases and retrieving literature have been outlined in Chapter Two. The absence of subject indexing terms and structured abstracts in many of the electronic databases searched resulted in many irrelevant studies being retrieved at no small cost.

Some trade research was problematic to retrieve, for example some studies conducted by market research companies were extremely costly usually between £500-£700 each, with the most expensive study costing £5000. In addition, several attempts were made to obtain a number of studies conducted within the financial services industry with limited success. A letter introducing the research project from an Expert Panel member, the Council of Mortgage Lenders for example, may have eased this process and should be considered for future reviews. Difficulties locating the correct department or person to contact within global corporations also created barriers to obtaining some research previously identified. It is unclear how these problems compare with other research fields but it may be common for those that cross the boundaries between the public and private provision of services.

The most fruitful sources of the evidence included in the review were 'other sources' of references, that is: hand searching of journals, a specialist library, personal correspondence, checking the reference lists of retrieved papers, and organisational internet sites (see Chapter Two, Table 2.5). This is perhaps unsurprising as a reviewer would not be drawn to highly irrelevant material when reference checking or hand searching. However, the absence of included studies from the peer reviewed journal databases is particularly noticeable. It was anticipated that the review topic would not have been extensively researched, and it is unclear therefore whether these results would be repeated for another field of interest within social policy. It does nevertheless confirm Sheldon *et al's* (2000) study that found grey literature (rather than papers published in peer-referred journals) to be of greater importance to social policy research. Sheldon's study also suggested that books were a more important source of primary research in social policy than in health studies, however this was not the case in this systematic review. Research reports such as those published by the Joseph Rowntree Foundation and the Council of Mortgage Lenders were important, but books, on the whole, contained a great deal of policy overviews and critiques, rather than empirical data.

Hierarchies of evidence/study design

As noted in Chapter Two, the review team decided to take a liberal approach to the study designs that would be considered sufficiently robust to provide evidence for the review. Our inclusion criteria required empirical research (rather than expert opinion, literature reviews *et cetera*) however evidence was not privileged on the basis of study design. Studies from different disciplines, using different methods or paradigms were equally valued.

Given this liberal approach, it had been the intention of the review to engage with debates regarding the types of study design that produce the most trustworthy evidence. We hoped to compare reported outcomes and develop an understanding of whether there was any variance according to study design. The studies that were included in the review were broadly similar in their cross sectional nature, with little use of comparison or control groups. Eleven of the included studies employed purely qualitative work, six purely quantitative and seven used a mixture of methods. Those studies employing mixed methods were the most comprehensive. Methodologies varied depending on the questions addressed; no two studies addressed exactly the same question. It was not therefore possible to directly compare the results from different studies.

Quality appraisal

The quality appraisal of evidence is a distinguishing feature of a systematic review, however quality appraisal methods are hotly contested (see for example: Barbour, 2001; Oakley, 2000; Popay, Rogers and Williams, 1998). Any quality criteria adopted in this review had to be transparent, defensible, and applicable to a range of study designs. The development and application of the quality criteria represented a major challenge and is fully reported in Chapter Two; the final criteria adopted are presented in Table 2.3.

Although a range of quality criteria is available, and referenced in the methodological literature and in other systematic reviews, there is very little guidance or comment on how to apply the criteria in practice.

There are initiatives to tackle the diversity of approaches to appraising the quality of research evidence. It is unlikely that there will be a firm consensus regarding the appraisal of qualitative research due to the variety of philosophical backgrounds that inform its practice. Nevertheless in order to support the methodological development of systematic reviewing, it is crucial that a broad agreement is reached on how different research evidence is to be valued.

Data extraction and synthesis

The synthesis of the evidence has been a significant challenge because of the complexity of the interventions, the broad conceptualisation of effectiveness, interpretation of the evidence against a changing social, political and economic background, and the heterogeneity of the evidence.

As noted in Chapter Two, a framework put forward by Wagner and Guild (1989) was adopted for abstracting evidence from each study, and also for constructing the evidence profile for each intervention. As a study was reviewed, evidence was extracted under Wagner and Guild's headings of *structure* (related to the formulation of the intervention), *process* (related to access to, acceptability of, and means of delivery of each intervention), and *outcomes* (arrears and repossessions, and any secondary outcome reported). This model of formulating and synthesising the evidence was useful in highlighting the paucity of evidence regarding the key outcomes. It was not however without its limitations given that the interventions are diverse, intended to become operational under different circumstances, are a mixture of public and private sector provision, and that consumers' access to different safety net provisions depends on a range of factors.

Safety nets for mortgagors are not only complex interventions in themselves, but they are also operated or regulated by a number of key players with different interests and understanding of effectiveness, in a changing economic and social environment. Interpretation of any existing research, must therefore consider the socio-economic and policy context in which the original studies were conducted. The stage in the economic cycle, policy developments or changes in societal values, may render the research more or less applicable to future policy decisions. Time has not automatically rendered older studies less useful, but in some circumstances, it may do so. A timeline showing key milestones in policy and macro economic changes has been provided (see Chapter Three, Figure 3.1) to aid the interpretation of the evidence in this review. Further work needs to be conducted on how these issues may be addressed in future systematic reviews.

The data in this review are very heterogeneous. Very few studies have focussed on outcomes and when they have done so, have sometimes used different ways to measure arrears and repossessions. Much of the evidence relates to the structure and process information about the interventions, but has been drawn from very different types of samples, using various data collection methods making direct comparisons or conclusions problematic both for particular interventions, but also for overall safety net provision.

Evidence Base

This section aims to provide some summary comments regarding the evidence base of homeowners' safety net research. It addresses points relating to who produces the evidence and why, the strengths and limitations of the evidence to date, identifies some gaps and makes recommendations on future research.

Research production

Given the various stakeholders and their sometimes competing interests, it is useful to consider what type of organisations have generated (usually via funding of independent research bodies, or sometimes by undertaking the research directly) the best evidence. Studies funded by the Joseph Rowntree Foundation, the Council of Mortgage Lenders and government departments were over represented in those studies that met the quality criteria, and studies funded by non-profit sources (such as consumer groups and voluntary sector organisations) and trade organisations were over represented in those that did not meet the quality criteria. This may reflect the restricted funds available to some organisations for research. Moreover some of the original studies may have been intended as a campaigning tools or intended or to produce headline findings for marketing purposes rather than provide a comprehensive analysis of the chosen issue. However, some of the studies that did not meet the quality criteria represent missed opportunities to add to the evidence base and inform policy. Scarce research resources need to be directed towards high quality research; some organisations are better (or have greater resources) than others at conducting and directing research.

Strengths and limitations of research

Each study included in the review is described briefly in Chapter Three, and profiled in Appendix H.

It is notable that researchers are often working with considerable success across public and private sector boundaries, with different stakeholders, drawing on a range of data sources, variously held by government agencies, lenders or insurers.

No one research paradigm dominates. To the review team, the various methods adopted by different studies seemed highly appropriate given the particular topics under investigation. A number of studies have adopted both qualitative and quantitative methods to address different aspects of a research question, demonstrating the value of 'mixed methods' to explore complex topics.

There was very little evidence regarding the outcomes of the interventions, as studies focussed mostly on process information. This is not perhaps surprising, given the complexities of safety nets and the impact of the social and economic environments in which they operate. Consideration should however be given to how future research can more rigorously identify any impact that interventions have on key outcome measures, such as arrears and repossessions.

Consideration should also be given to isolating the effects of the intervention from chance or sampling errors *et cetera*. Few studies employed inferential statistical tests to establish that what was apparent was statistically significant. Few studies tried to compare experiences of those who had received the intervention with those who had not in order to be more confident in attributing causality of the effects to the intervention and not to chance.

Finally, within the field of study more broadly there was an over-representation of literature reviews frequently reporting the same research studies, occasionally supplemented with new small-scale empirical work. Consideration should be given by research funders to prioritising resources to fund studies that have potential to make advances in the field. Systematic reviews which are regularly undated to take account of new research, would alert decision makers to new robust literature, indicate whether new evidence is challenging or supporting the previous knowledge base, and avoid the repetition of review work.

Gaps in research

There was little evidence relating to the use of other insurance products intended to replace income lost through ill health. The ODPM/CML report on other insurance products (Ford *et al* forthcoming) may address this gap. Similarly little is know about how flexible mortgage products might work as safety nets, particularly if the economic cycle downturns; the development and take-up of these products and their potential to prevent arrears and repossessions will need to investigated.

There was little evidence relating to the mediating effects of lenders' own recovery practices on safety nets. Future research needs to address this issue and consider how lender forbearance and recovery procedures can produce positive outcomes for arrears and repossessions.

Issues of diversity were absent from the evidence base on safety nets, but it may be useful to understand if the attitudes of borrowers such as single men and women, black and ethnic minority groups or disabled people to homeownership risks are different from the aggregate findings.

Homeownership and housing markets vary according to UK region. Some investigation of how safety nets operate in these different regional markets would be interesting.

Comparison to existing evaluation review

This section considers whether there is any added value in undertaking a systematic review compared to a more traditional literature review, by comparing this review to a traditional literature review on safety nets for homeowners. Ford and England's (2000) *Data and Literature on Mortgage Interest: State Provision and Private Insurance. An Evaluation Report and Source Book* is used to illustrate the difference between the two approaches to reviewing existing research. Ford and England provide a discussion of the literature and a synopsis of their 43 included studies, along with their methodology and stated limitations.

Study inclusion

Systematic reviews are characterised by the formulation of a specific review question, by an extensive search for literature that might answer the review question, and - perhaps the most distinctive feature - the use of transparent inclusion and exclusion criteria to identify studies which are both relevant to the question and of sufficient quality to be included in the review. Ford and England's review differed markedly on all these points.

Of the 43 studies reviewed by Ford and England, twelve were included in this review. Table 4.1 presents the breakdown of the studies included in Ford and England's review by their classification in this review.

Table 4.1: Classification of Ford and England's studies in this systematic review

Included in systematic review	Passed inclusion, but not of sufficient quality	Did not pass Inclusion Criteria: reason for exclusion			Not retrieved	Total
		Study design	No interventions	No population or condition		
12	8	6	13	2	3	43

Eight studies were included in the traditional literature review that did not meet the quality criteria for this systematic review. It is recognised that these studies addressed issues that were pertinent and valuable, but because of problems with the methods or data used in the analysis, the findings were not wholly persuasive.

The systematic review included only empirical research and six studies included in Ford and England's review were excluded from the systematic review, because, for example, they consisted of expert opinion. Ford and England's synopsis of each study included a classification of the methods, but no differentiation was made between empirical studies and other studies reporting expert opinion or theoretical work. Views of people knowledgeable and experienced in their field remain an important and a rich source of knowledge; however, when examining the effectiveness of an intervention they cannot enjoy parity with empirical data. There may be reasons for this type of evidence to be included in reviews based upon different questions or in the absence of empirical data. In undertaking the search for the systematic review, further studies based upon expert opinion were identified that were not reported by Ford and England.

Ford and England aimed to review 'the available literature and research relevant to safety net provision'. Their review had a wider remit than this systematic review and placed the discussion of the evidence on safety nets within the context of the owner occupied market, mapping the literature against the wider trends. This is reflected in the thirteen studies that were reviewed by Ford and England but did not meet the inclusion criteria for this systematic review because they did not directly examine any of the interventions of interest. Similarly two studies reviewed by Ford and England did not address the population of interest to the present review (i.e. mortgagors), or the condition of interest (unforeseen financial difficulties).

Apart from those studies published since the Ford and England review, six studies met the inclusion criteria for the systematic review that, for reasons that are unclear, were not reported by Ford and England. However it is also unclear whether or not all the studies identified by Ford and England were included in their review, or whether some were excluded; no selection criteria were reported.

Added value?

Compared to a number of other 'traditional' literature reviews that were found amongst the retrieved studies for the systematic review, Ford and England's evaluative review was the most explicit in its reporting and methods. The evaluative review included a critique of each study and discussed the strengths and weaknesses in the knowledge base of safety net research. This did presume, however, that decision makers and readers of the review are equipped with the necessary critical appraisal skills to make sense of this information quickly.

The findings from the two reviews are similar, but this might not be the case with a different question or in a different field of interest. A review in a policy field where there are many competing voices has the potential to produce very different conclusions to a review from one 'camp' where the recommendations may be more partisan. The distance between the Expert Panel or advisory group and the reviewers, may also provide added value for some end users of a systematic review.

The cost of Ford and England's review would have been significantly below that of the systematic review and was completed more quickly, however a meaningful comparison of the costs and benefits of a resource intensive systematic review and a more traditional synthesis of existing research cannot be made until the impact of the systematic review and its reception by policymakers are assessed. There may be occasions when a quicker but less rigorous review may suffice, but when it is important to be clear about what is confidently known then a fully systematic review can be more useful to direct policy and investment, or further research.

Further consideration will be given in a separate paper to the merits of a systematic review compared to a recognised expert evaluating the literature, and in which circumstances either method may be best employed.

Value of systematic reviewing

Systematic reviews of evidence can be invaluable in making sense of large volumes of information from a variety of sources. Policy makers and practitioners may often lack the time and the resources to seek out and digest this information themselves, or lack the critical appraisal skills needed to decide which is the better research with the most robust findings. By seeking to remove as many sources of bias as possible a systematic review should present an objective appraisal of the evidence, which can then be used by those involved in the policy development process, or in the local implementation of policy into practice. Identifying what is confidently known, and what is poorly understood or under researched, can in addition be used to direct future research resources.

Systematic reviews of effectiveness in medicine and health services, such as those for the Cochrane Collaboration (http://www.update-software.com/cochrane/) are conducted with the intention of being periodically updated. This ensures the review that remains in the public domain is always applicable and incorporates recent developments in the field. This is an undertaking agreed personally with the reviewers whose protocols are peer reviewed by contributors to the Collaboration, but may only be resourced within a field where reviews play an important contribution to the accumulation of knowledge.

It remains to be seen how extensive the use of systematic review methods will become. The wider application of the methodology has presented challenges, particularly around incorporating complex contextual factors into the review, appraising the quality of the evidence, and synthesising the data from a heterogeneous pool of studies . However, systematic reviewing has potentially much to offer policy makers or practitioners (Boaz *et al* 2002), particularly in the extensive searching and critical appraisal of the research. Cummins and MacIntyre (2002) use the term “factoids” to mean assumptions or speculations reported and repeated so often in research, policymaking and practice that they are considered true. They suggest that factoids can easily and uncritically become part of the apparatus of policymaking when they fit with broader objectives, often through misinterpretation of existing research. They caution that a more critical and objective eye should be cast over apparent facts if evidence is to inform policy. Technology has allowed the easy identification and retrieval of information, but developing the ability to appraise and synthesise that information in a meaningful way is crucial. Systematically reviewing evidence can aid decision makers in this task. This review contributes to the development of the methodology in the social policy arena.

There are developments in the fields of social policy and social care to adapt the principles of evidence-based policy making to new arenas. The Social Care Institute for Excellence is charged with strengthening the evidence base of social work and social care interventions, by encouraging increased rigour in primary research and by developing standards for systematically reviewing that research. The ESRC has funded the Evidence Based Policy and Practice Network (www.evidencenetwork.org.uk) of which this project is a part, to look at reviewing existing research, producing research that answers questions surrounding what works for policymakers and building bridges between the academic community and practitioners to ensure that pertinent evidence enters practice. Alongside others, the Network is well placed to develop the systematic reviewing methodology further, and build a consensus on the standards that should be employed in synthesising research evidence.

References

Barbour, R. (2001) Checklists for improving rigour in qualitative research: a case of the tail wagging the dog. *British Medical Journal,* 322,1115-1117*.*

Boaz A., Ashby D. and Young K. (2002) *Systematic Reviews: what have they got to offer evidence based policy and practice?* London: ESRC UK Centre for Evidence Based Policy and Practice. www.evidencenetwork.org.

Burrows, R. and Wilcox, S. (2000) *Half the Poor: low income homeowners*, London: Council of Mortgage Lenders.

Council of Mortgage Lenders (2002) Rising Insurance Sales Plug Gap in Mortgage Cover, Press Release, 23 April 2002, www.cml.org.uk.

Cummins S. and MacIntyre S. (2002) 'Food Deserts'- evidence and assumption in health policy making, *British Medical Journal,* 325,436-438.

Dale, A., Arber, S. and Procter, M. (1988) *Doing Secondary Analysis*, London: Unwin Hyman.

Davies, H., Nutley, S. and Smith, P. (eds) (2000) *What Works? Evidence based policy and practice in public services*, Bristol: Policy Press.

Denscombe, M. (1999) *The Good Research Guide: for small-scale research projects,* Buckingham: Open University Press.

Department of Social Security (1995) Memorandum to the Social Security Advisory Committee: Income Support for Mortgage Interest, London: DSS.

DETR (2000) *Quality and Choice: A Decent Home for All,* London: The Stationery Office.

DETR (2001) *Survey of English Housing, 1999/00*, London: The Stationery Office.

Edwards, A., Russell, I. and Stott, N. (1998) Signal versus noise in the evidence base for medicine: an alternative to hierarchies of evidence? *Family Practice*, 15, 319-22.

Ford, J. and England, J. (2000) *Data and Literature on Mortgage Interest: State provision and private insurance. a source book*, London: Social Research Branch, DSS.

Ford, J., Burrows, R. and Nettleton, S. (2001) *Homeownership in a Risk Society*, Bristol: Policy Press.

Ford, J., Quilgars, D., Burrows, R. and Rhodes, D. (forthcoming) *Beyond MPPI: insurance options for homeowners*, London: ODPM.

Godfrey, M., Randall, T., Long, A. and Grant, M. (2000) *Home Care: Review of Effectiveness and Outcomes*, CEBSS/Nuffield Institute for Health, University of Leeds/ Health Care Practice R&D Unit, University of Salford. Accessible on http://www.ex.ac.uk/cebss/.

Gomm, P., Needham, G. and Bullman, A. (eds) (2000) *Evaluating Research in Health and Social Care*, London: Sage.

Gowman, N. and Coote, A. (2000) *Evidence and Public Health: towards a common framework*, London: Kings Fund Publishing.

Grayson, L. (2002) *Evidence Based Policy And The Quality Of Evidence: rethinking peer review*, London: ESRC UK Centre for Evidence Based Policy and Practice. www.evidencenetwork.org.

Green J. and Tones, K. (1999) Towards a secure evidence base for health promotion, *Journal of Public Health Medicine,* 21,2,33-139.

Hopayian, K.(2001) The need for caution in interpreting high quality systematic reviews, *British Medical Journal,* 323,681-684.

Mays, N. and Pope, C. (1995) Qualitative Research: observational methods in health care settings, *British Medical Journal*, 311,182-84.

Mays, N. and Pope, C. (2000) Assessing quality in qualitative research, *British Medical Journal*, 330, 50-52.

McManus, R.J., Wilson, S., Delaney, B.C., Fitzmaurice, D.A., Hyde, C.J., Tobias, R.S., Jowett, S. and Hobbs, F.D.R.(1998) Review of the usefulness of contacting other experts when conducting a literature search for systematic review, *British Medical Journal*, 317, 1562-63.

NACAB (2002) Consumer Detriment and Financial Literacy. London: National Association of Citizens Advice Bureaux.

NHS CRD (2001) *Undertaking Systematic Reviews of Research on Effectiveness. CRD's Guidance for those Carrying Out or Commissioning Reviews*, CRD Report Number 4 (2nd Edition), York: NHS Centre for Reviews and Dissemination.

Oakely, A. (2000) *Ways of Knowing: gender and method in social science*, Cambridge: Polity Press.

ODPM (2002) *Survey of English Housing, 2000/01*, London: The Stationery Office.

Oliver, S. and Peersman, G. (eds)(2001) *Using Research for Effective Health Promotion*, Buckingham: Open University Press.

Pawson, R. (2001a) *Evidence Based Policy II. The promise of 'realist synthesis'*, London, ESRC UK Centre for Evidence Based Policy and Practice. www.evidencenetwork.org.

Pawson, R. (2001b) *Evidence and Policy and Naming and Shaming*, London: ESRC UK Centre for Evidence Based Policy and Practice. www.evidencenetwork.org.

Pawson, R. (2002) *Does Megan's Law Work? A Theory driven systematic review,* London: ESRC UK Centre for Evidence Based Policy and Practice. www.evidencenetwork.org.

Popay, J., Rogers, A., Williams, G. (1998) 'Rationale and standards for the systematic review of qualitative literature in health services research', *Qualitative Health Research*, 8,3,41-51.

Pryce, G. and Keoghan, M. (1999) Safety nets for mortgage borrowers. Responsiveness of the take-up of mortgage payment protection insurance to changes in the benefits system and to variations in the unemployment rate. Edinburgh: Scottish Homes.

Sheldon, T., Baldwin, S., Burrows, R., Lockhart, J. and Sinclair, I. (2000) Methods for socially useful systematic reviews in social policy.www.regard.ac.uk ESRC Award no. L141250001.

Wagner, E. and Guild, P. (1989) ‘Primer on Evaluation Methods: Choosing an Evaluation Strategy’, *American Journal of Health Promotion*, Nov/Dec, l4,2.

White, D. (2001) ‘Evaluating evidence and making judgements of study quality: Loss of evidence and risks to policy and practice decisions’, *Critical Public Health*, 11,1, 3-17.

Whitehead, C. and Holmans, A. (1999) Why Mortgage Payment Protection Insurance? Principles and Evidence. London: Council of Mortgage Lenders.

Wilcox, S. (2002) *UK Housing Review, 2002/2003*, London: Chartered Institute of Housing and Council of Mortgage Lenders.

Appendix A: What is the scope of the interventions included in this review?

	Is it a formal intervention?	Is it, or a component within it, designed to be used as a safety net to pay mortgage payments?		What form does the intervention take?			When does the intervention come into play?			Is it IN or OUT of review?
				Direct financial	Indirect financial	Other	Beforehand to prevent loss of income	At time of loss of income	At time of loss of home	
MPPI	**Yes**	**Yes**	**Yes**	**Yes**				**Yes**		**IN**
ISMI	**Yes**	**Yes**	**Yes**	**Yes**				**Yes**		**IN**
Other insurances	**Yes**	**Yes**	**No**	**Yes**				**Yes**		**IN**
Flexible mortgage	**Yes**	**Partially**	**Partially**		**Yes**			**Yes**		**IN**
Lender forbearance	No	Partially	Yes		Yes			Yes		OUT
Employer benefits	Yes	Yes	No	Yes			Yes			OUT
Independent advice	Yes	Yes	Partially			Yes	Yes	Yes		OUT
Family & friends	No	Yes	No	Yes		Yes		Yes		OUT
Savings	No	Partially	No	Yes				Yes		OUT
Mortgage Rescue	Yes	Yes	Yes	Yes	Yes				Yes	OUT

Note: Shaded areas represent the key questions that required a positive response for the intervention to be included in the review.

Appendix B: The final search strategy

No.	Request
1.	mortgage payment protection or mppi
2.	mortgage insurance
3.	Income Support for Mortgage Interest or mortgage income support or ismi
4.	supplementary benefit mortgage interest or sbmi
5.	(mortgage interest) near2 payment*
6.	sustainable home owner* or sustainable homeowner*
7.	low income homeowner* or low income home owner*
8.	mortgage protect*
9.	welfare insurance
10.	accident sickness unemployment
11.	Critical Illness cover*
12.	income protection
13.	income replacement insurance
14.	long term disability insurance
15.	disability income insurance
16.	personal disability insurance
17.	Permanent Health Insurance
18.	mortgage benefit*
19.	flexible mortgage*
20.	lender forbearance
21.	#1 or #2 or #3 or #4 or #5 or #6 or #7 or #8 or #9 or #10 or #11 or #12 or #13 or #14 or #15 or #16 or #17 or #18 or #19 or #20
22.	possession or possessed
23.	repossession or repossessed
24.	home loss
25.	foreclosure
26.	default near2 mortgage
27.	arrear* or debt* or indebt*
28.	insecur* or uncertain* or security
29.	risk*
30.	insurance
31.	safety net* or safetynet*
32.	protection
33.	accident*
34.	sickness or ill health or illness
35.	disability
36.	unemployment or redundan*
37.	bankrupt
38.	relationship breakdown or marital breakdown or marital separation or divorce
39.	income loss or income reduction

40. income support or social security
41. financial product* or financial service*
42. housing allowance*
43. (public or private or state) near1 (help or assistance or benefit* or aid or support or welfare or provision)
44. welfare near1 (help or assistance or benefit* or aid or support or provision)
45. government* near1 (help or assistance or aid or support or welfare or provision)
46. #22 or #23 or #24 or #25 or #26 or #27 or #28 or #29 or #30 or #31 or #32 or #33 or #34 or #35 or #36 or #37 or #38 or #39 or #40 or #41 or #42 or #43 or #44 or #45
47. homeown* or home own* or owner occupier*
48. homebuy* or home buy*
49. mortgag*
50. home near3 buy*
51. (borrow* or lender* or insurer*) and home*
52. #47 or #48 or #49 or #50 or #51
53. #46 near5 #52
54. #21 or #53
55. (united kingdom or britain or england or northern ireland or scotland or wales) in ge
56. #54 and #55
57. #56 and (PY>= "1985")

Appendix C: Electronic databases

The following databases were searched electronically; they are presented here under their respective 'host' locations.

ARC databases
Sociological Abstracts: The major abstracting service for sociology and related disciplines, indexing over 2,500 journals worldwide, plus abstracts of conference papers, books and book reviews. 1963 onwards. Updated quarterly.

DH-Data: The British database of healthcare administration run by the Department of Health.

EconLit: Provides bibliographic citations, with selected abstracts to the international economics literature. Includes the index to Economic Articles in Journals and Collective Volumes, Abstracts of Working Papers in Economics and the Journal of Economic Literature book reviews. 1969 onwards. Updated quarterly.

PAIS International: Indexes to social, economic and social journals, books, conference papers and government documents. 1972 onwards. Updated quarterly.

Web of Science (WoS) databases
Social Sciences Citation Index: International multi-disciplinary index to 1,500 social science periodicals, plus social science articles from a further 3,000 journals. 1981 onwards. Updated weekly.

BIDS (Bath Information and Data Services)
International Bibliography of the Social Sciences: Provides an index of information from more than 2,600 social science journals (and books) covering sociology, economics, political science and anthropology. Updated quarterly.

PsycInfo: Citations and abstracts to over 3,000 journals on psychology and behavioural sciences (education, law, medicine, sociology and management). 1987 onwards. Updated quarterly.

York DataNet
ASSIA Plus (Applied Social Sciences Index and Abstracts): Indexes and abstracts about 600 English language social science journals, providing information on areas such as social services, health, education, employment and race relations. 1987 onwards. Updated quarterly.

CRD Information Service CD-ROMs
SIGLE (System for Information on Grey Literature): SIGLE is *the* source of grey literature for the UK, the largest component being the British Library Document Supply Centre's collection of reports and theses. Database covers the EU. 1980 onwards. Updated twice a year.

University of York JB Morrell Library CD-ROMs
Social Security Worldwide: Includes five databases that cover social security systems in 170 countries, including summaries of reforms since 1995 and bibliography and thesaurus of key social protection issues and terms. 1988 onwards. Updated twice a year.

British Library Resources
Parlianet: Based on the POLIS (Parliamentary Online Information Service) database, covering parliamentary and statutory publications and business papers of the House of Commons. 1979 onwards. Updated twice a year.

Planex: Produced by the Planning Exchange in Scotland, provides abstracts for a wide range of housing, planning and urban/ rural references including grey literature.

Other CD-ROMs
Communitywise: Covers seven databases: Research in Volunteering, People in Parliament, International Development Abstracts, Community and Voluntary Sector Literature, Social Strategy Plans, Library and Community Initiatives and Community Organisations. Established in last five years. Updated quarterly.

Internet
Hansard: Text of House of Commons parliamentary debates, answers to questions and division lists. 1988 onwards. Updated quarterly.

Dialog/Datastar
Insurance Periodicals Index: database of 35 of the most respected and widely read insurance industry journals and magazines.
Dissertation Abstracts International: Includes bibliographical details and an author-prepared abstract. Most of the dissertations can be purchased on microfilm or as paper copies. 1861 onwards. Updated monthly.

Prompt: Covers market research, including information on social trends.

British Library (paid searches)
Accompline/Urbaline: The London Research Centre's urban and social policy databases, chiefly covering newspapers and press releases.

Appendix D: Websites Searched

Trade Associations

Council of Mortgage Lenders	http://www.cml.org.uk
Association of British Insurers	http://www.abi.org.uk
British Insurance Brokers Association	http://www.biba.org.uk
Staple Inn Actuarial Society	http://www.sias.org.uk/home.htm

Regulatory Authorities

Financial Services Authority	http://www.fsa.gov.uk
Financial Ombudsman	http://www.financial-ombudsman.org.uk
Office of Fair Trading	http://www.oft.gov.uk
Mortgage Code Compliance Board	http:// www.mortgagecode.org.uk
General Insurance Standards Council	http:// www.nacab.org.uk
National Consumers Council	http:// www.ncc.org.uk
Financial Services Consumers' Panel	http:// www.dti.gov.uk/CACP/ca/index.htm
The Consumers Association	http:// www.which.net

Government departments and other key policy-related sites

DTLR	http://www.housing.dtlr.gov.uk/index.htm
Department for Work & Pensions	http://www.dwp.gov.uk/
DTI	www.dti.gov.uk/CACP/ca/index.htm
Scottish Executive	http://www.scotland.gov.uk/pages/default.aspx
Communities Scotland	http://www.communitiesscotland.gov.uk/
Housing Corporation	http://www.housingcorp.gov.uk/
(And the HC Innovation and Good Practice and Research database:	http://www.helios.bre.co.uk/igp/)
Tai Cymru	http://www.tc-hfw.gov.uk
Local Government Association	http://www.lga.gov.uk
Local Government Information Unit	http://www.lgiu.gov.uk/
	http://www.polis.parliament.uk/London
Research Centre/Greater London Authority	http://www.london.gov.uk/
Local authorities co-ordinating body on food and trading standards LACOTS	http://www.lacots.com
Hansard	http://www.parliament.the-stationery-office.co.uk/pa/cm/cmhansrd.htm
Shelter	http://www.shelter.org.uk
National Housing Federation	http://www.housing.org.uk
Housing Net	http://www.housingnet.co.uk/
Housing UK	http://www.housinguk.org/
European Network for Housing Research	http://www.enhr.ibf.uu.se/
Chartered Institute of Housing	http://www.cih.org/
Home Repossessions page	http://www.home-repo.org/
Joseph Rowntree Foundation	http://www.jrf.org.uk
Regard (ESRC database on research)	http://www.regard.ac.uk
SOSIG (links to University sites)	http://www.sosig.ac.ukhttp://www.zetoc.mimas.ac.uk
IPPR	http://www.ippr.org.uk
Nexus	http://www.netnexus.org/

PSI http://www.psi.org.uk/
Guardian http://www.guardianunlimited.co.uk
Politieai http://www.politeia.co.uk/

University research units
Glasgow http://www.gla.ac.uk/urbanstudies/
Birmingham http://spp3.bham.ac.uk/curs/
Stirling http://www.stir.ac.uk/Departments/HumanSciences/AppSocSci/Housing/index.htm
LSE http://sticerd.lse.ac.uk/case/
Sheffield http://www.shu.ac.uk/cresr/
CRSP Loughborough http://www.lboro.ac.uk/departments/ss/centres/crsp/index.htm

Trade Press
Inside Housing archive http://www.insidehousing.co.uk
Mortgage Introducer http://www.mortgageintroducer.com
Money Pages http://www.themoneypages.com
Consumers Association http://www.which.net
The Financial Advisor http:// www.financialadvisormagazine.com
What Mortgage? magazine http://www.yourmortgage.co.uk
Cover Magazine http://www.cover-mag.co.uk
Money Marketing http://www.moneymarketing.co.uk

Appendix E: Consultation with key players

The following organisations were asked to supply information on the topic area. Responses were received from those marked with an asterisk.

Trade associations
*Council for Mortgage Lenders
*Association of British Insurers
British Insurance Brokers' Association
Protect

Regulatory bodies
*Financial Services Authority
*General Insurance Standards Council
Mortgage Code Compliance Board
*Office of Fair Trading
Insurance Ombudsman Bureau (now part of Financial Ombudsman)

Consumer organisations/ agencies
*National Association of Citizens Advice Bureaux (NACAB)
The Consumers' Association
*Financial Services Consumer Panel (established and maintained by FSA)
*National Consumers Council
*Local Authorities Coordinating Body on Food and Trading Standards (LACOTS)

Government departments
*Department for Work and Pensions
Department of Transport, Local Government and the Regions
Consumer Affairs Directorate, Department of Trade and Industry

Insurance/ mortgage providers
Payment Shield
John Charcol Leeds
The Miers Group
*Pinnacle
*Scottish Amicable
*Norwich Union
*Northern Rock plc
*Nationwide Building Society
*Brittanic Money

Academic specialists

*Alan Holmans, Housing Consultant
*Janet Ford and Roger Burrows, Centre for Housing Policy, University of York
*Amanda Sowden, Centre for Reviews and Dissemination, University of York
*Tania Burchardt, Welfare State Research Group, LSE
Gwilym Pryce, Department of Urban Studies, University of Glasgow

Appendix F: Data extraction form

MS Access ID		
Reference Manager ID	Note unique Reference Manager Code	
Source of reference	Note electronic database, hand searching, personal communication, reference checking, CML library etc	
Bibliographic details	Author, Year, Title, Place, Publisher	
Main area of enquiry	Note product or intervention area and focus of study.	
Reverification of study eligibility	Has the study met the inclusion criteria specified? 1=yes, 2=no, 3=uncertain	
Background of study	1= academic, 2= trade, 3= consumer, 4= other	
Study design code	A= randomised trials, B=Quasi-experimental studies, C= Controlled observational studies, D= Uncontrolled observational studies, E= Expert opinion and other reports 1=quantitative methods, 2=qualitative methods, 3=mixed methods	
Study characteristics	Note type of research, data collection instruments, sample source and size, length of any follow up, study setting.	
Quality overview	Did the study meet the quality threshold?	
Main findings	Brief summary of findings.	
Structure	Note findings that relate to how the intervention’s structure may affect negatively or positively its effectiveness as a safety net.	
Process	Note any relevant contextual factors relating to the study, such as economic period, socio-economic status of respondents etc.	
	Note findings that relate to how the intervention’s delivery may affect negatively or positively its effectiveness as a safety net.	
	Note findings that relate to how accessible and acceptable the intervention is and how this may affect negatively or positively its effectiveness as a safety net.	
Outcomes	Note findings that relate to how the intervention impacts negatively or positively on the rates of arrears and repossessions.	
	Note findings that relate to any notable secondary outcomes of the actual interventions.	
Any other notable findings from study?	Note any other notable findings from study	
Reviewer One Name and Date	First reviewer’s name	Date
Reviewer One Comments	Note any comments, reminders or questions reviewer may have about study.	
Reviewer Two Name and Date	Second reviewer’s name	Date
Reviewer Two Comments	Note any general comments, reminders or questions reviewer may have about study.	

Appendix G: Studies not retrievable for consideration in review

(1991) *UK Insurance Market: PHI: Market Size* Part 1. Research Studies - Market Assessment Publications Ltd 54.

(1991) *UK Insurance Market: PHI: Market Size* Part 2. Research Studies - Market Assessment Publications Ltd 55,56.

(1991) *UK Insurance Market: PHI: Market Forecast*. Research Studies - Market Assessment Publications Ltd 62.

(1992) *UK Insurance: Guaranteed Mortgage Crisis* - Industry report. Investext (July 15).

(1993) *Insurance: PHI: Market Forecast*. Research Studies - Market Assessment Publications Ltd.

(1993) *Insurance: Permanent Health Insurance: Market Size*. Research Studies - Market Assessment Publications Ltd.

(1994) Survey Permanent Health Insurance. *Financial Adviser* (Feb 3).

ABI (1995) *ABI brief on mortgage protection insurance and the proposed changes to income support benefit for mortgage interest*. London: ABI.

Berthoud, R. (1989) *Credit, Debt And Poverty. 1*. Social Security Advisory Committee Research Paper. London: HMSO.

Cordeiro, I. M. F. (1998) *A Stochastic Model For The Analysis Of Permanent Health Insurance Claims By Cause Of Disability*. Edinburgh: Heriot-Watt University.

Cracknell, R., Strickland P. and Wilson W. (1995) *Income Support And Help With Mortgages.* 1-30. London: House of Commons Library.

Financial Intelligence (2002) *Creditor Insurance*. London: MINTEL.

Ford, J. R. (1985) *Influences Upon, And Responses To Building Society Mortgage Arrears. The Borrower's Perspective*. London: Economic and Social Research Council (ESRC).

Ford, J. (1995) *Annual Mortgage Arrears Survey*. Loughborough: Loughborough University.

Ford, J. (1997) *Who Is Most At Risk? Job Market And Mortgages*. London: Council of Mortgage Lenders.

Foster, C. and Van Order, R. (1994) An option based model of mortgage default. *Housing Finance Review* 3, 351-372.

Fotheringham, M. (1998) Total and permanent disability policies. *Insurance Law Journal* 10.

Hawksley, F. (1992) Policies that pay the mortgage. *Accountancy* 109, 91.

Holmans, A. E. (1997) UK housing finance: past changes, the present predicament and future sustainability. In: P Williams (Ed) *Directions in Housing Policy*. London: Paul Chapman Publishing.

MORI (2002) *Home Insecurity*. London: Shelter.

MORI (2002) Mortgage payment protection insurance research: data tabulation/Scottish Provident.

Muellbauer, J. and Cameron G. (1997) Economic fundamentals vs policy shifts in the UK mortgage repossessions crisis. Paper presented at University of Glasgow 20/2/1997.

Muellbauer, J. and Cameron, G. (1997) A regional analysis of mortgage possessions: causes, trends and future prospects. *Housing Finance* 34, 25-34.

Munro, M. (1999) *Beliefs, Perceptions And Expectations In The UK Housing Market.* Edinburgh: Heriot Watt University.

NACAB (1991) *National Survey Of Mortgage Arrears Enquiries Received by the CAB Service.* London: NACAB.

NACAB (1995) *A Survey Of Mortgage Protection Policies.* London: NACAB.

Nixon J., Hunter C., and Wishart B. (1996) *Housing Cases In The County Courts*. The Policy Press, Bristol.

Pratt, K. (1995) Protecting borrowers' financial welfare. *Planned Savings* August, 56-61.

Social Security Policy Inspectorate (1986) *Enquiry Into Mortgage Interest.* London: Department of Health and Social Security.

Sullivan, M. (1986) PHI surveyed. *Policy Market,* March, 85;16,19,22.

Thomas, R. (1994) *An End To Income Support For Mortgage Interest Payments- What implications for the housing market?* London: UBS Global Research.

UBS Ltd (1995) *Proposed Changes To Income Support For Mortgage Payers: implications for the housing marke*t. London: UBS.

Wilcox, S. (1997) *Replacing Housing Benefit With Housing Credit: a better way to help people with their housing costs*. Coventry: Chartered Institute of Housing.

Wilcox, S. (1998) *Unfinished Business: housing costs and the reform of welfare benefits.* Coventry: Chartered Institute of Housing.

Wriglesworth, J. (1992) *Housing Market: the debt trap*. London: UBS Philips and Drew.

Appendix H: Summary of studies included in the review

Reference and Study Aims	Inter-ventions	Methods	Main findings
Ford J and Wilcox S (1992) Reducing Mortgage Arrears and Possessions. An Evaluation of the Initiatives. York, JRF. This study aims to identify and analyse a range of circumstances of households in mortgage arrears and facing potential repossession, and to evaluate the potential impact of policy initiatives including mortgage interest direct for ISMI and mortgage rescue schemes	ISMI	The evidence is based upon a survey of 302 randomly selected borrowers of one building society with arrears of four or more month's duration in 1992. Data about ISMI are drawn from 73 borrowers.	A variety of characteristics and circumstances amongst borrowers in default that means no one policy initiative alone has the potential to make a substantial impact on the arrears and repossessions. Mortgage interest direct for ISMI has potential to benefit 20-30% of borrowers on Income Support. Evidence is presented about mortgage rescue, arrears recovery and a proposal for a mortgage benefit.
Davis D and Dhooge Y (1993) Living with Mortgage Arrears. London: London Research Centre/HMSO. This study aims to look at mortgage arrears from a borrowers perspective in order to help generate information to be used to develop prevention and intervention strategies for lenders.	ISMI	Evidence based on qualitative interviews with a purposive sample of forty-six borrowers in arrears accessed through a variety of means.	Identified shortcomings of the ISMI scheme prior to the 1995 changes, including fifty per cent of mortgage interest meaning people often accrued arrears, reductions in income not covered, little awareness of claimants of benefits, endowments not covered and often lapse and benefits system does not cater for people in irregular work not.
Kempson E, Bryson and Rowlingson K (1994) Hard Times. How Poor Families Make Ends Meet. London: Policy Studies Institute. Aim of this study was to examine in detail the circumstances and experiences of families living on very low incomes.	ISMI	Evidence for the study drew upon qualitative interviews with 74 low-income households, of which 17 were homeowners, in London: Manchester and Wolverhampton.	Provides limited, case-study evidence of how low-income mortgagors managed the ISMI gap, worked to supplement benefits to manage the ISMI gap, did not claim ISMI because they felt stigmatised and how homebuyers had a strong commitment to work and that ISMI did not represent a work disincentive.
Murphy D, Taylor S and Whitworth J (1994) An Evaluation of Mortgage Interest Direct Payment Scheme. London: HMSO. **The purpose of this study was to** examine whether the two policy objectives of ISMI Mortgage Interest Direct (MID), to ensure the money reached the lenders and to prevent repossession of customers houses, had been met.	ISMI	Evidence was based upon qualitative interviews with senior officials of eight lending institutions, Benefits Agency staff and 40 ISMI claimants randomly sampled from three local offices.	After initial teething problems, lenders and customers largely happy with increased cash flow and reduced temptation to spend money, respectively. All lenders felt they showed greater forbearance and claimants felt lenders were more tolerant.

Kemp P, Oldman C, Rugg J and Williams T (1994) The Effects of Benefits on Housing Decisions. London: HMSO. This study aims to examine the extent to which benefits influenced decisions to move and the choice of new accommodation for renters in receipt of housing benefit and homeowners in receipt of ISMI.	ISMI	This qualitative study was based upon a sample of 25 homeowners, 8 of which had recently moved and 17 that had not moved in a northern metropolitan borough and a London borough.	ISMI was found to be a constraint to moving if borrowers desired to move, as lenders wary of making advances to unemployed people. Benefit was not a major concern when considering moving and none of the homeowners were affected by the excessive costs legislation.
Ford J, Kempson E and England J (1995) Into Work? The Impact of Housing Costs and the Benefits System on people's Decision to Work. York, JRF. This study aimed to identify ways households make decisions about employment and how higher rents and ISMI for mortgagors may constitute a work disincentive.	ISMI	The evidence is based upon forty-four in-depth interviews, which included twenty owners in Luton and Coventry. Participants included a variety of household types and were considering taking employment or had recently re-entered workforce.	Study suggests economic model of decision-making does not prevail. A large proportion of people made 'better off' calculations that included their housing costs when considering employment, but owners were more likely to take work at a greater risk of poverty and any subsequent mortgage arrears.
Mannion R, Hutton S and Sainsbury R (1994) Direct Payments from Income Support. London: HMSO. The purpose of this study was to provide an overview of the types and numbers of direct payments being made from Income Support, to evaluate their usefulness to recipients and third-party creditors and examine the administration of the schemes by the Benefits Agency.	ISMI	This study is based upon a variety of sources: qualitative interviews with forty-five recipients in three areas and Benefits Agency staff, a lender and money advisors; secondary analysis of the ASE data and Credit and Debt dataset; and a quantitative survey of 1137 Income Support recipients.	Overall large support for continuation of Direct Payments of ISMI from all quarters, albeit with some administrative changes to make it run more smoothly.
Ford J and Kempson E (1997) Bridging the Gap? Safety Nets for Mortgage Borrowers. York, JRF. The project considered the perspectives and responses of borrowers, lenders and insurers both to the ISMI changes and the development and use of private insurance.	MPPI/ISMI	The evidence for this report was drawn from a postal questionnaire of 892 borrowers, a survey of 28 lenders, in depth interviews with 31 borrowers in different regions of England, in depth interviews with two or three staff in nine lending organisations and five MPPI providers.	The research concludes that insurance products have not bridged the gap left by the state safety net, that those most at risk were no more likely to take out MPPI as this was related to their general attitude towards insurance, and that borrowers had a poor understanding of the state safety net.
Williams T, Hill M and Davis R (1999) Attitudes to the Welfare State and the Response to Reform. Social Security Research report No. 88. London: HMSO. This report draws together the findings of a number of studies exploring attitudes to the welfare state, including social security support for housing costs.	MPPI/ISMI	The part of the research reporting attitudes to housing costs, was based upon data collected from ten focus groups, six with general public of mixed tenure, two of renters in receipt of Housing Benefit and two of homeowners in receipt of ISMI.	There was limited awareness of ISMI or MPPI, but participants felt that state support should be available to the low paid as well as unemployed, with limitations on time and level of support, and that it was reasonable for owners to take out a government backed MPPI scheme.

Kempson E, Ford J and Quilgars D (1999) Unsafe Safety Nets: How Effective are MPPI and ISMI? York, Centre for Housing Policy. The objectives of this research were to examine the effectiveness of MPPI claims, examine the routes taken when MPPI runs out, and also consider how ISMI claimants manage the ISMI gap and its effectiveness when it is operative.	MPPI/ISMI	The evidence is based on two quantitative surveys of 1000 borrowers who had claimed MPPI and 1684 ISMI recipients; and on qualitative interviews with both thirty-two MPPI and twenty-nine ISMI claimants.	Each of the safety nets examined have strengths and weaknesses for mortgagors who lose income, but neither provides adequate cover for all who might need assistance to sustain homeownership. Neither performs well in preventing arrears, three out of ten MPPI claimants get into arrears and about half of those claiming ISMI.
Kemp P and Pryce G (2002) Evaluating the Mortgage Safety Net. London: CML. The purpose of this study was to assess the impact of the 1995 changes to the state benefit help with mortgages, and to make recommendations for the future of the mortgage safety net.	MPPI/ISMI	The evidence from this study is drawn from existing studies supplemented with a survey of 118 members of the CML and some secondary analysis of existing data, to model repossession action in the courts if the 1995 changes had not taken place.	Results of the exploratory modelling show that court actions on repossession increased but repossessions were mitigated by the leniency of the courts. Post benchmark MPPI products appear less restrictive but whilst take-up increasing slowly barriers remain for some employment and health risks, and by negative attitudes of borrowers towards product
Ford J, Kempson E and Wilson M (1995) Mortgage Arrears and Possessions: Perspectives from Borrowers, Lenders and the Courts. London: DoE. This report aims to establish the characteristics and reasons for arrears compared to all mortgage borrowers; investigate lenders recovery practices; and analyse the potential and problems of mortgage rescue.	MPPI/ISMI	The report is based upon data drawn from survey of 362 borrowers in arrears, 111 borrowers who had experienced repossession, and 646 borrowers not in arrears identified from random omnibus surveys. Postal survey of 72 lenders, 15 interviews with district judges and 3 case studies presented.	Evidence that ISMI had prevented arrears in half of cases where it was in payment. MPPI paid out irrespective of other household income, but claiming shown to be problematic. Many borrowers could not have used MPPI and neither ISMI nor MPPI addressed low-income workers; suggests together with ISMI, and MPPI, a mortgage benefit should be considered.
Whitehead C and Holmans A (1999) Why Mortgage Payment Protection Insurance? Principles and Evidence. London: CML This report examines the economic principles that lie behind the development of MPPI, what is currently being provided and evidence on the appropriate level of coverage, in order to inform debates about how the take-up of MPPI may be increased.	MPPI	In addition to a literature review and discussion of policy issues and key actors, the evidence is drawn from secondary analysis of the Family Resources Survey 96/97 and the CML Annual Housing Finance Survey 1998.	The report concludes that MPPI generally gets sold to risk averse households and those who favour insurance products. It suggests take-up is only sensitive to price in the early years of the mortgage. It suggests evidence regarding the link between risk aversion and those actually facing a low or high risk is little understood, although some people who do need insurance may be put off by the price. There is also a pool of mortgagors who have alternative means available to meet loss of income suggesting 40-50% do not need MPPI.

Pryce G and Keoghan M (1999) Safety nets for Borrowers. Responsiveness of the Take-up of MPPI to Changes in the Benefits System and to Variations in the Unemployment Rate. Edinburgh, Scottish Homes. This project aimed to examine the responsiveness of MPPI take-up to changes in unemployment risks, the ISMI system and the level of insurance premiums. It looks at whether the public provision of IMSI can be considered to be responsible for 'crowding out' MPPI.	MPPI	Data from the 94/5 and 95/6 Family Resources Survey, and Scottish House Condition Survey are examined to provide evidence of the characteristics of both MPPI policyholders and the uninsured.	That take-up of MPPI is unresponsive to changes in ISMI and as such, the extension of the ISMI gap is an unviable reaction to repossession problems. Take-up of MPPI is low amongst the most vulnerable borrowers, therefore some form of state safety net will always be necessary.
Ford J and Quilgars D (2000) Financial Intermediaries and Mortgage payment Protection Insurance. York, Centre for Housing Policy. The research considers the role and views of financial intermediaries regarding MPPI, the nature of the advice and the selling process adopted, the attitudes and responses of mortgage brokers to the Mortgage Code and the costs to borrowers of using an intermediary.	MPPI	Evidence based on nineteen in depth interviews with financial intermediaries purposively sampled, and eight policy makers and advisors concerned with the development and regulation of financial services sector.	Intermediaries often gave a considered or critical response to MPPI. They sold the products in many different ways, so borrowers likely to get different advice. The intermediaries were neutral or supportive of the Mortgage Code, but felt the failure to regulate intermediaries and mortgage advice directly were missed opportunities. There were few direct costs to borrower but policies sold through intermediaries had higher charges.
Smith J (2002) CML Market Research Results 2001. Housing Finance 53, pp13-27. This article presents some of the findings from this regular market research exercise, which examines consumers' attitudes and behaviour in the mortgage market.	MPPI	The research was based on questions in a quantitative omnibus survey of 3391 adults over 16 in the UK. MORI Financial Services, on behalf of the CML, conducted the survey.	Reports take-up of MPPI, Permanent Health Insurance and critical Illness cover, and regional variations. It explores reasons for not taking out such insurance in terms of employment security, savings, affordability etc.
Burchardt T and Hills J (1997) Private Welfare Insurance and Social Security. Pushing the boundaries. York, JRF. To examine three areas where private insurance has taken over part of the role of social security (or may do so in future): MPPI, PHI and Long-Term Care Insurance. Research questions included: (1) Do the problems predicted by the economic theory of insurance occur in practice? (2) Do the policies represent good value for money?(3) What are the distributional difference between tax funding and premium funding? (4) What is the potential for the private sector to take on other areas of provision?	MPPI/PHI	Secondary analysis of existing data-sources, including the British Household Panel Survey (1991/2 to 1993/4) to examine unemployment cover with MPPI and DSS data on state Invalidity Benefit claims in 1993/4 to compare with PHI premiums. Details of MPPI products taken from literature (including trade source) as well as direct with providers. Details of PHI taken from Kluwer's PHI 1995/6: The Unique Annual Review and literature collected from main providers.	(1) Problems predicted by theory occurred in practice meaning that some groups were not adequately covered; (2) MPPI was not good value for money, and PHI was expensive for younger people (not able to make much comment on older age groups) ; (3) Switching from tax to insurance is regressive ; (4) Other areas of policy likely to raise similar issues - particular social policy issues of redistribution away from disabled people and women.

Munro M (2000) Labour Market Insecurity and Risk in the Owner Occupied Housing Market. Environment and Planning A 32 pp1375-1389. This paper explores the extent to which labour market insecurity affects behaviour in the owner-occupied housing market, and examines what strategies people adopt to minimise the risk.	MPPI/Unemployment Insurances	Evidence is based on 45 qualitative in depth interviews with first time buyers or recent movers in Bristol and Glasgow, and a quota survey of 800 owners, (300 first time buyers, 300 recent movers and 200 people who have stayed in their homes) divided between the two cities.	Paper concludes that leaving homeowners to insure themselves against labour market risk will leave some owners unprotected, and that this gap is likely to persist in the long term. The paper found the perception of insecurity and attitude to risk intersect to create strategies, such as whether to purchase MPPI or not, that may not bear any direct connection to measurable and objective labour market characteristics or risks.
Dinani A, Grimshaw D, Robjohns N, Somerville S, Spry A and Staffurth J (2000) A Critical Review-Report of the Critical Illness Healthcare Study Group. London: Staple Inn Actuarial Society. The aims of this study were to develop a base table to benchmark experiences, pricing and valuation of Critical Illness (CI) cover, investigate the claiming experience of CI and to survey current reserving practices in CI business.	Other Insurances-Critical Illness Cover	The evidence from this study uses statistical data from a variety of national sources to construct base tables recording incidences of critical illnesses in the population for actuarial purposes. It is supported by a survey of thirty-two CI cover providers representing 60%t of CI business.	The paper highlights a number of definitional issues with respect to CI claims. For example, data reveal much higher levels of rejected claims for Total and Permanent Disability claims. It is suggested that there might be a problem with consumer understanding/ insurer explanation for some critical illnesses.
H2B (2001) Critical Illness Cover-The Future. Wantage, H2B. This study examines consumer understanding of the Critical Illness product and how the industry may respond.	Other Insurances-Critical Illness Cover	Evidence is drawn from qualitative depth interviews with thirty-five policyholders, purposively sampled, and ‘free found’ by recruiters and supplemented by Scottish provident and Halifax Life.	Concludes that wider consumer communication about Critical Illness cover is needed, as there is still misunderstanding about some aspects of product. It provides important protection and reassurance for those who have considered the implications of serious illness.
Dudleston A (2001) The Flexible Mortgage: A Risk reducing Product? Housing Studies 16 pp163-177 This paper aims to examine lenders attitudes towards the flexible mortgage as a potential mechanism to alleviate tension between labour market changes and mortgage finance and in managing borrowers’ risk.	Flexible Mortgage	Evidence is based upon qualitative interviews with a purposive sample of key informants representing 18 lenders and 3 mortgage brokers.	Found a consensus amongst lenders that flexible mortgages only appropriate for higher paid contract workers who can escape penalties when overpaying. Suggests this product would only be effective as a safety net when substantial additional payments have been made, as debt could otherwise rise rapidly and may compound risk.
Smith S, Ford J, Munro M and Davis R (2002) A Review of Flexible Mortgages. London: CML. The aim of this study was to provide an overview of the characteristics, use and future prospects of flexible mortgages in Britain, and was supported by the CML and the ODPM.	Flexible Mortgages	The study features: a market analysis of flexible mortgage products carried out at the end of 2000; a survey of lenders offering flexible mortgages in 2000; and just under 500 interviews with flexible mortgage borrowers in the north, midlands, south and south-west of England conducted by MORI end of 2001.	Provides a definition of the flexible mortgage, which is accounting for a rapidly increasing share of mortgage market. Borrowers using this product are slightly older, have slightly higher incomes and are more clustered in social classes A and B. Borrowers perceived the flexible features as a useful insurance policy in the event of loss of income, but few had made use of these facilities.

Appendix I : Studies that met the inclusion criteria but did not meet the quality threshold for the purposes of this systematic review

1. Scottish Provident/MORI (2001) High Wire Britain. www.scottishprovident.co.uk

This is a study conducted by MORI Financial Services for Scottish Provident to see how people would be affected if their income was cut. It looked at lifestyle choices that people would aim to retain and how they might protect themselves against the loss of income with savings, employer benefits or various income protection policies.

It was a nationwide representative sample omnibus survey of adults over 16 years of age in the UK. The interviews were conducted face to face in people's homes, in 190 sampling points, and asked a range of questions with some attitudinal scales used.

This study does not meet the threshold as although a set of descriptive statistics are presented there is no attempt at analysis of the results or enough information about the response rate, the characteristics of the respondents, or the negative/ 'don't know' replies that would aid interpretation of the results. Given the extensive material on the lack of understanding of financial products, it does not appear that any questions gauged the respondents understanding of the various income protection policies. It is therefore difficult to have confidence that the take-up rates are accurate. The authors offer no analysis of this well rehearsed problem.

2. NACAB (1993) Dispossessed: CAB evidence on Mortgage arrears and repossessions. London: NACAB.

This is a report regarding the adequacy of current legislation, policy and practices to prevent borrowers losing their homes. It looks at the role of the lenders, insurance, social security and the courts.

It is based upon evidence submitted by 250 local Citizens Advice Bureaux (CAB) to the National Association in 1993 and 22 court representation schemes run by CABs, from which a number of policy recommendations are made.

Whilst it may be legitimate to draw samples of mortgage arrears cases from local advice centres, this study has not attempted to place the sample within the context of their own workload or within national statistics of arrears and repossessions cases. The scale of the problems they report in terms of the whole mortgage industry or MPPI claims, for example, cannot be discerned from this report. It is unclear how the data were collected and how much of the evidence is used in the analysis. The presentation of evidence appears anecdotal, and there is insufficient information on which to conclude rigor and confidence in the findings.

3. John Collins and Partners (2001) 'Mortgage Payment Protection Insurance'- Where is the benefit*? Mortgage Finance Gazette*, January, pp35-38

This study was a survey conducted by John Collins Solicitors, a legal firm working extensively in arrears recovery on behalf of lenders, in conjunction with the Mortgage Finance Gazette. The study was not comprehensively written up, but appeared in the periodical in summarised form. It aimed to help lenders benchmark arrears management across the industry and institution type, and there was an intention for it to be repeated annually to assess trends over time.

A questionnaire was sent to the 90 organisations involved in lending from the Council of Mortgage Lenders membership and 41 organisations responded. The survey featured a range of questions relating to forbearance, mortgage protection insurance, income support and recovery.

The sample was small and was not adequately described in terms of the lenders market share or type of lending institution to interpret the findings. Greater use of the data could have been made. Some analysis of the differences between banks and building societies is offered, but no indication of the non-response for the survey or individual questions is given. Whilst covering some interesting ground, the lack of clarity about the small sample and the analysis meant the study did not generate confidence in the findings.

4. NACAB (1993) CAB Evidence on the Direct Payment of Mortgage Interest. London: NACAB.

This report gives evidence from Citizen's Advice Bureaux (CAB) about the Mortgage Interest Direct Scheme for ISMI and was submitted to the DSS and the Council of Mortgage Lenders. It identifies structural weaknesses in the scheme that it asks the DSS to rectify to improve service for borrowers and lenders.

It is unknown how many CABs submitted evidence to NACAB in full and the report lacks methodological data on how the evidence was collected, from which bureaux and how it was analysed. No attempts are made to place the problematic cases described within a context to judge the scale of the issues.

5. Ford J (1995) Which Way Out? Borrowers with Long Term Mortgage Arrears. London: Shelter.

This study aimed to address what the social and material circumstances might be of those in long-term mortgage arrears. It examined what the costs of attempting to stay in homeownership have been, how likely it is for households to recover the arrears, what their options are and what are the chances of them being successful in this pursuit.

It reports the results of five in-depth case studies along side a consideration of the implications for the numbers of people in long-term mortgage arrears.

It is unclear how the participants for the small sample of case studies were recruited or identified for analysis; the acknowledgements suggest that additional interviews were conducted that are not reported in the study. Extensive data were collected on the participants past work history and arrears problems, and some of the case studies do relate information regarding ISMI. However, without information concerning the analysis of all the in-depth interviews the findings cannot be considered robust.

6. Roof (1994) Fury Over State Squeeze. London: Shelter.

This article examined how the mortgage lending institutions would respond to the proposed cuts in Income Support for Mortgage Interest.

The top 20 lenders were surveyed regarding their perceptions of the impact of the 1995 ISMI changes.

This article does not adequately describe the methods by which the lenders were sampled, the data collected or the data analysed. It is unclear what questions were asked and whether all of the data had been included in the analysis. The study was modest and may have been appropriate, but as reported, the findings cannot be considered sound.

7. Ford J and Bull G (1992) Mortgage Arrears: Services to Borrowers in debt. London: National Consumer Council.

This study aims to examine the services that are available to borrowers in the early stages of the mortgage arrears process from a consumer point of view. It looks at the choices available to borrowers, the information provided to them about services, whether these services meet the needs of borrowers with arrears and how accessible the services are. It focuses these considerations on two main areas; services to establish contact, dialogue and provide information; and on lender forbearance and recovery strategies.

It is based upon a survey of lenders, a survey of advice centre clients and presents two case studies of lending institutions. Seventy-four lenders were surveyed by post and thirty-two responded to the questionnaire. Sixty-seven advice centres provided questionnaires from 234 clients who were in mortgage arrears.

This study is reasonable for the purposes for which it was intended, but for the purpose of this review, the sample sizes from which the MPPI data were drawn were very small. Only 16 of the 32 lenders responded to the questions relating to MPPI and provided a weak range of data. This may be because the market for mortgage protection insurance was in its infancy at the time of this study. The authors are cautious about interpretation of these findings and in these circumstances, it is not possible to be confident about the representativeness of the data and so this study has not been included. There was no information from the advice centre clients relating to mortgage safety nets.

8. Which (1996) No Security. *Which* Jan pp22-24

This study aimed to explore the advice given to people purchasing MPPI to test whether people are told about the various exclusions that have the potential to be problematic in the event of a claim. The study was conducted following the changes to ISMI in October 1995, when MPPI became a policy objective.

The Which reporter used a mystery shopping exercise to ascertain what advice they would be given when considering purchasing mortgage protection as she posed as someone 5 months into an 18 month work contract. It found a high level of incorrect advice.

Thirteen MPPI providers, including lenders and mortgage and insurance agents, were contacted by telephone. It is unclear how the sample was identified and what the characteristics of the organisations were. Whether the sample was drawn from an appropriate population cannot be determined and therefore doubt is cast on the findings.

9. KPMG (1996) The UK Survey of the Creditor Insurance Market. London: KPMG.

The aim of this study is not explicit but it assesses the characteristics of the creditor insurance market in relation to mortgages in 1995.

The report states that KPMG Insurance Consulting Group surveyed 66 of the top UK organisations involved in the provision of mortgage related creditor insurance.

The methodological reporting in this study is very unclear and muddled. It is not certain how the insurance providers were selected, although some breakdown of the respondents is given in terms of whether they are a direct provider, through a bank or building society. The response rate is unclear, but it can be deduced that sixty-six was the number of respondents from an unknown total sample. The authors do indicate the high market share the respondents cover. The data collection and analysis are not explicit and the report states full details are only available to respondents. The report did not confer sufficient confidence in its rigor to recommend the findings.

10. McLennan D, Meen G, Gibb K and Stephens M (1997) Fixed Commitments, Uncertain Incomes: Sustainable Homeownership and the Economy. York, JRF.

This study examined three broad questions relating to sustainable homeownership. How have economic shifts influenced borrower and lender behaviour and the potential stability of the market? Has there been a permanent shift in the demand for owner occupation because of changes in the labour market and how likely is it these will prevail? What policy actions are required to promote cyclical and long-term sustainability for owner occupied sector?

The study was part of the ESRC Beliefs and Behaviour Project and employs a range of methods from household survey data from 822 respondents in Glasgow and Bristol, analysis of the DoE/CML 5% survey data and a survey of 11 lenders. A range of issues is explored in the household survey, including an attempt at determining the take-up of mortgage protection insurance.

The methodological reporting of this study is poor and it says references were to be made to other studies that include this information, but these references cannot be identified from the report. The report is comprehensive and good use is made of a range of data, however, for the purposes of this review it does not meet the quality threshold. The household survey included a question attempting to establish the take-up of MPPI and an attempt was made at analysing the determinants of this take-up. However, because of the lack of understanding amongst the public regarding this financial product there is a methodological challenge in estimating an accurate level of take-up. The household surveys in this study obtained very high levels of take-up, which the authors have manipulated to reflect levels reported in other studies before commencing their analysis. The authors suggest the analysis should be conducted again with better data and are not confident of the findings. As this was the part of the study pertinent to this review, then the findings cannot be recommended.

11. Ford J (1999) Risks. Homeownership and Job Insecurity. London: Shelter.

This study aims to update knowledge on the extent and nature of the risks to homeownership from the changes in the labour market. It seeks to understand the range of individual and household responses to these risks; identify the range of housing consequences stemming from labour market risk; and to identify a policy agenda.

The study is based upon a literature review, small amount of secondary analysis of national surveys and three case studies of homeowner households managing labour market risk.

The only new empirical data on safety nets relate to the three case studies presented. No details are provided on how these households were recruited or whether they were the only depth interviews to be conducted. Whilst the report may be useful for the purposes it was originally intended, for the purposes of this review the three case studies were found to be insufficient to provide robust findings.

12. Oldman C and Kemp P (1996) Income Support for Mortgage Interest: An Assessment of Current Issues and Future Prospects. London: CML.

This study aimed to look at past trends in the use of ISMI and examine the likely impact of the 1995 ISMI changes.

It presents qualitative data drawn from a previous study by another author and a literature review, which is supplemented by a small survey of twenty lenders. It also reports that three interviews with insurance industry representatives were conducted.

There are no details provided regarding how the twenty lenders were sampled or what sampling frame was used. Although the authors report that they represent most of the market, no breakdown about the lenders' characteristics is provided to illustrate this point. Fifteen lenders responded to the questionnaire, which may be a good response rate, but remains a very small number. Few details are provided about the data collection for the lenders survey or the interviews with insurance industry representatives, and little use has been made of the qualitative or quantitative data in the analysis. The study therefore was not found to be robust for the purposes of this review.

13. NACAB (1995) Security at Risk: CAB Evidence on Payment Protection Insurance and Implications for Public Policy.

The aims of this study are not explicit but it reports extensive evidence from local CABs regarding problems with payment protection insurances, including those for mortgages. It provides some discussion of the context to these issues, especially relating to their use in the mixed economy of welfare.

This study uses problematic cases from local CABs, but does not report the scale of the problems either by reference to national statistics relating to size of market, number of different policies taken out etc; neither does it place the problem within the context of the caseloads of the local bureaux. It has no analysis of the breakdown of the number of cases pertaining to each type of payment protection insurance. It is therefore unclear whether what proportion of cases of MPPI may give cause for concern or whether they are overrepresented amongst CAB clients.
The methods of this report are weak and although a wealth of information is presented on MPPI, it remains anecdotal evidence that is not sufficiently robust for the purposes of this review.

14. TUC (1995) Mortgage Payers At Risk. A TUC Survey and Report on Exclusions and Eligibilities for Private Mortgage Protection Insurance. London: TUC.

The aims of this study are not clearly stated but it reports on the exclusion criteria of a range of mortgage payment protection policies.

It states that it surveyed ten policies, eight negotiated through lender and two freestanding policies, and names the sources of the policies.

There are no details about how the ten policies were chosen for the study, and no information regarding the market coverage of each one. It is surmised from the many high street names reported that the policies may cover a high proportion of the MPPI market, but this is not illustrated. No details about how the data relating to the policies were collected, or how the retrieved information was analysed. There is no attempt at estimating the numbers of people who could be potentially affected by the exclusion criteria and no attempt at examining the actual impact of these exclusions, in terms of claims or acceptability to consumers. This study may have had strengths in drawing attention to the exclusions, but is not considered sufficiently robust for this review.

15. Pryce G (1998) ISMI and the take-up of Mortgage Protection Insurance. Glasgow, Centre for Housing Research and Urban Studies.

This paper examines the decision to take out mortgage payment protection insurance and tries to examine whether the 1995 ISMI changes will increase take-up of MPPI. This is important as assumptions that borrowers would behave rationally and insure when exposed to greater risk to a certain extent underpinned the 1995 changes.

The data are obtained from the ESRC Beliefs and Behaviour Project using Glasgow and Bristol household survey data from 1995 (Maclennan et al, 1997 – see above) to model whether with the cuts in eligibility for ISMI, the take-up of private insurance would increase. Determinants of the take-up of MPPI are then analysed using economic modelling 'elasticities'.

This attempt at testing the determinants of MPPI take-up has been flawed by the use of the poor Glasgow and Bristol data and despite sophisticated modelling, the outputs cannot be considered sound. A discussion relating to the validity of using this dataset for the analysis is absent and whilst the original authors advise caution in its use, on this occasion no such limitations have been considered. At the time of this report, the problems in establishing correct levels of take-up due to poor understanding of the insurance product by respondents, would have been appreciated by those in the field. The poor sampling of data that has the potential to alter the results means that the findings cannot be considered robust for the purposes of this review.

16. Ford J (1994) Problematic Homeownership. The Management, Experience and Consequences of Arrears and Possessions in a Depressed Housing Market. York, JRF.

This report examines the growth in mortgage arrears, how they are managed, and the nature of the outcomes for owner occupiers, and the consequences of the growth in repossessions for the householders losing their homes, for local housing providers and for attitudes to homeownership.

It is based upon data of 451 households drawn from a survey from a previous study in Luton and Bristol, interviews with 14 people who have experienced repossession and 346 court applications during the 1991-1993 periods in Luton and Bristol County Courts.

Only one paragraph regarding ISMI is relevant for this review, and the sample from which the evidence is drawn is too small as it can be calculated that it refers to only seven cases in both Luton and Bristol. For the purposes of this review, the evidence is not considered to meet the desired threshold.

17. Cebulla A (1999) Government Plans and Individuals Intentions: The Case of Unemployment Insurance. *Benefits* 26 pp16-21.

This study provides a snapshot of the extent of private insurance cover in Britain today. It is specifically concerned with private insurance to replace income following the loss of employment.

The findings are based on a national omnibus survey of 1000 people in employment in November 1997, 6 focus groups with employed and unemployed people in the Spring 1997 and qualitative interviews with 45 families with at least one partner in employment in the spring and summer 1998.

This paper was supported by the ESRC and is part of a comprehensive study, but fails to report enough methodological detail to support any assertions that the findings are robust for this review. This may be a result of word restrictions for the journal, but the Final Award Report for the ESRC (www.regard.ac.uk) does not shed further light on what data were collected in the survey, interviews or focus groups or how the data were analysed, although does explain more about the sampling. The project seems to suggest methodological rigor but without certain information, judgements regarding whether it meets the quality threshold cannot be made. Attempts made to locate a base report for the whole project failed.

18. Griffiths A (1993) A Shrinking Safety Net? An Examination of the Payment of Mortgage Interest within the Income Support System. Dissertation submitted to the University of Leicester for the degree of LL. M in Welfare Law.

This study's aim is not explicit but it reports on problems with ISMI administration, and attempts to examine the ability of ISMI to prevent arrears and repossessions.

The study examines the 42 files relating to mortgage repossession cases at Luton law Centre during August 1989 and December 1992, excluding those relating to second mortgages and secured loans. It looks at the type of order, size of arrears, whether borrowers were on Income Support and examines the outcomes and how the ISMI may have affected court decisions.

The aim or research question of this study was unclear, which meant interpreting the validity of the subsequent stages of the project that follow was problematic. It is presents some interesting data on how the courts may view the receipt of ISMI in repossession cases, however, the study is not considered to meet the quality threshold for the purposes of this review.

19. Britannic Money (2000) The Britannic Money Flexible Mortgage Index (Fourth issue and review of 2000, Q3). Epsom, Britannic Money.

This study reviews the flexible mortgage market and makes predictions about future growth, by examining loans advanced, the applicants, why they chose flexible mortgages and their future plans.

It is based on a telephone omnibus survey of 2000 adults over the age of 16 in the UK, which was conducted by BRMB International, and it states that Phophit carried out the economic research and forecasting.

This study presents interesting data relating to borrowers' decisions and awareness relating to flexible mortgages but is marred by a lack of clarity in the data analysis. There is a problem of borrowers understanding the characteristics of some financial products and the authors suggest that many people believe they have a flexible mortgage when they do not. It is however uncertain how they determine whether the respondents do or do not have flexible mortgages and whether the original or adjusted figures are used in their analysis. This was not therefore considered to meet the quality threshold for this review.

20. Keoghan M and Pryce G (2001) *Mortgage Payment Protection Insurance: Do Those Who Need it Most Take It Out?* Glasgow, Economics and Finance of Property and Housing Research Group (Discussion Paper No.3).

This study aims to examine the reasons why people have not taken out mortgage payment protection insurance (MPPI), either because they are in stable employment or have sufficient savings; because their reason for unemployment is not covered by policies; or whether it is because they cannot afford the policies.

It examines the take-up of MPPI by using the Family Resources Survey (FRS) to look at the characteristics of the uninsured, which are then compared to data on employment stability. Data are used from the 94/95 and 95/96 rounds of the survey.

This study has not met the quality threshold, as the data used are problematic. Data from both the 94/95 waves and 95/96 wave of the FRS were combined to ensure a suitable sample size. However, the questions being asked of respondents regarding mortgage protection policies were changed from the 95/96 onwards refining what is meant by the mortgage protection insurance. The questions prior to 95/6 were broader with a wider room for misinterpretation, and so it is anticipated the earlier take-up figures may be inflated by the inclusion of life cover, mortgage indemnity guarantee, other income protection policies in addition to mortgage payment protection insurance. Lack of consumer awareness regarding many financial policies has been identified in the research, and is a consistent methodological challenge in this field. However, whilst analysis of the 95/6 data on its own may show some degree of take-up inflation, it is not justified to combine the data with 94/5 where the data are from essentially different questions.

21. Smith J (2001) Increasing choice in the mortgage market: Evidence from the 2000 market research findings. *Housing Finance* Feb p14-19.

This study examines data from the annual market research survey conducted by MORI for the CML. The article looks at choices in owner occupation, flexible mortgages, use of the internet and at MPPI.

It uses data from an omnibus survey of 3480 adults aged over 16 in the UK, which was conducted face to face in the respondents' homes.

This study is not considered sufficiently robust to enter the final review because the data presented on flexible mortgages are unreliable, and more up to date data on MPPI are presented in Smith J (2002), which have been included. The flexible mortgage data are problematic as the study looks at the characteristics of those who say they have a flexible mortgage, but also shows a great degree of misunderstanding in relation to the product on the part of consumers.

ISBN : 1 874797 62 5

Published by the
Department of Social Policy and Social Work,
University of York
Heslington
York YO10 5DD

Website: http://www.york.ac.uk/spsw

Printed by the University of York Print Unit

PRICE £8.00