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HAVE YOU CHECKED YOUR MORTGAGE PROTECTION?

If you restructured your mortgage recently, have you looked at how it impacts your mortgage protection policy? **Ciara Leahy** reports

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When was the last time you looked at your mortgage protection policy – and what exactly it covered? It might be time for a review, especially in light of a new study undertaken by Royal London that has found that thousands of families who fell into arrears on their mortgage during the recession may now be under-insured on their mortgage protection policy.

This is potentially the case for these homeowners, regardless of whether they are still in arrears or have entered into restructuring arrangements with their lender.

Given that, at its peak in 2013, up to one in eight mortgage holders fell behind on payments, it concerns more people than you might think. According to the Central Bank of Ireland, the current number of private dwelling houses classified as "restructured" stands at 118,477 as at December 2017.

According to Barry McCutcheon, proposition lead at Royal London: "Many families who were struggling to make their mortgage commitments would have entered into new agreements with lenders.

"We believe a significant proportion of these 100,000+ families may not have reflected these changes in their mortgage protection cover, and therefore have become under-insured as a result.

"This means that if either of the mortgagees were to pass away, the surviving partner could be left with a shortfall on their mortgage, at a time when they can least afford it – which understandably, would be a great source of shock and worry for this person," warns Barry.

As mortgage protection policies generally cannot be restructured, in most cases a new policy would need to be put in place to reflect the fact that the mortgage isn't reducing or to match the revised mortgage agreement.

Barry advises: "Mortgage pro-

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tection policies are a low-cost but relatively inflexible product, designed to decrease in line with a typical capital and interest mortgage. But when those payments are interrupted or reduced, there's a likelihood that a gap will grow between the outstanding mortgage, including arrears, and the policy cover.

"This is because the assumed capital repayments have not been made. With people so focused on getting themselves to a point where they can afford the mortgage, it's understandable if they have not thought to check whether their existing mortgage protection cover is still sufficient. Even those who have managed to get their mortgage back on track could have an issue." CL

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