

## ‘Thousands’ of households underinsured

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Thousands of Irish families may be underinsured on their mortgage, one of the largest UK providers has warned.

Royal London said that many customers who fell into arrears during the recession may not have enough protection on their mortgage insurance policy.

Many house buyers have life cover for their mortgage insurance. This means that a provider would pay the balance of the mortgage in the event that the mortgage holder dies.

Customers who take out mortgage protection generally do so when they first take out their mortgage loan. The potential shortfall which the insurance will cover then usually reduces over the lifetime of a mortgage, as the customer pays back their loan.

Royal London said that, in the event of a customer falling into arrears, their mortgage protection may still reduce even if a customer agrees to a restructured payment with their bank.

If, for example, a customer pays interest only on their mortgage for four years, the value of their mortgage protection may have fallen by the time they start making repayments on their main loan again.

Citing data from the Central Bank, Royal London said that about one in eight Irish mortgage holders fell behind in their payments during the recession, and almost 120,000 homeowners had restructured their mortgage.

The company is one of the largest insurance firms in the UK, with funds of £114 billion (€130 billion) under management.

Barry McCutcheon, of Royal London, said that when payments were interrupted or reduced “there’s a likelihood that a gap will grow between the outstanding mortgage including arrears and the policy cover”.

“We believe a significant proportion

of these families may not have reflected these changes in their mortgage protection cover, and therefore have become underinsured as a result,” he said.

“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.

“While it’s possible that the lender would write off the uninsured balance in such an instance, it would be unwise for any mortgage holder to rely on the possibility of such generosity.”

