

Soaring mortgage rates are just another cost clobbering victims of the cladding scandal

People are still waiting on sky-high bills to fix their homes in the building safety crisis and now they face being hit by the cost of living crisis and mortgage costs

LIAM GERAGHTY | 26 Oct 2022



James Smith is coming to the end of his fixed-rate mortgage. He said the worry about making ends meet has left him with sleepless nights. Image: Supplied

Leaseholders caught up in the cladding scandal have spent years worrying about huge bills to fix their homes. Now they could be hammered by mortgage rate rises as well.

Thousands of people have been facing bankruptcy or homelessness since [the Grenfell Tower fire](#) in 2017 uncovered scores of buildings around the UK covered in flammable cladding and other fire defects.

[The Westminster government](#) has committed a £5.1bn Building Safety Fund to ensure

residents do not face sky-high bills to fix buildings over 11 metres in height. But people living in buildings that don't fit that criteria are still braced for bills and unable to move while their bills and mortgage costs rise.

The Resolution Foundation has warned millions of households will see increases by the end of 2024. If interest rates do reach 5 per cent at the start of 2023 as predicted, five million households could see the average mortgage bill increase by £5,100 by the end of 2024, according to the think tank.

Mortgage rates are already having an impact on the 1.2 million households on variable rate deals and will also hit people on fixed deals when they come to refix their deal.

Liz Truss' levelling up secretary Simon Clarke said he wanted to see "tangible changes" in the lending industry to "unlock the market" when he took on the cabinet role last month.

He said: "We will continue to work relentlessly with the lending industry to ensure leaseholders are no longer trapped by over the top risk aversion and unnecessary paperwork, freeing them to take their next step on the housing ladder."

Clarke has now left as part of Rishi Sunak's cabinet reshuffle and Michael Gove, his predecessor who campaigners believed was making progress, is back in the role.

Meanwhile, the issue of mortgage costs is continuing to add to the strain for leaseholders caught up in the building safety crisis.

I've been seeing a therapist recently because it's giving me
sleepless nights

James Smith

James Smith's two-year fixed mortgage deal is coming to an end in February. But the building he lives in in south London does not have an EWS1 certificate, which is intended to give lenders the confidence to offer mortgages on flats in a **building that has cladding**.

With economic turmoil setting in, Smith tried to lock in a new deal. He told The Big Issue his provider Nationwide told him he would be facing a £600 increase in his monthly payments, up to £1,700 per month from £1,100.

Smith said: "If you haven't got a passing EWS1 form you can't change mortgage provider so I can't even look around for a better rate really.

"It's kind of exasperating because, to be honest, we want to move. We've wanted to sell the

flat for about two years now and we can't because we have building safety defects that my landlord seems in no rush to sort out.

"We could maybe sell it to a cash buyer but we'd have to take a massive hit to do that."

Clarion housing association will cover remediation at Smith's home to fix missing cavity barriers and fire breaks so he will not face additional costs.

But the wait for work to be carried out has scuppered his plans to leave his home of nine years. That has left him trapped and at the mercy of rising mortgage rates.

"It's pretty stressful," said Smith, who works as a data analyst. "For two and a half years it was a massive worry of am I going to have to pay for a huge remediation bill to make the building safe, seeing others on Twitter getting bills of 50, 80, 100 grand to fix their building. Then it kind of turned into nothing happening.

"You started to think: I'd almost be happy for them to give me a 20 or 30 grand deal now just to get it done.

"The worst bits are the uncertainty and the lack of time frames. If they said it's going to be done by the end of next year then at least we'd know and it could actually make mortgage planning easier.

"Should I get a one-year fix or a two-year fix? Should I get a five-year fix? I don't know. It's pretty depressing and pretty stressful. I've been seeing a therapist recently because it's giving me sleepless nights."

I think I'm just going to have to fix on one of these higher rates
and take the hit

Lisa Petty

Lisa Petty, 41, is still living in a home coated in aluminium composite material (ACM) cladding – more than five years after the material was linked to the deadly fire at Grenfell Tower.

The four-storey block at Baneberry Lodge in Romford, north-east London, does not come under the government's remediation scheme which covers buildings over 11 metres in height. She is unable to sell her property due to the fire safety issues and is waiting to see how much she must pay to fix her home with works slated to begin at the start of next year.

"We would get an indication of the final cost reaching us just before Christmas, which is really lovely timing," said Petty.

"It's pretty horrible. I have an escape route planned for if anything happened and it's just a constant thing in the back of your mind the whole time.

"Then you put the financial burden on top of it. It's kind of adding insult to injury. It just means life is on hold because I can't physically go anywhere because I can't sell. I could get consent to let but I can't afford to buy anywhere else paying higher stamp duty rates or anything like that.

"I've no idea what this bill will be. In my head I'm sort of saying £20,000 which I don't have."



Lisa Petty said she felt “like a fool” for committing to a variable rate mortgage before the pandemic. She has been unable to move ever since and now she is vulnerable to mortgage rate hikes. Image: Supplied

Petty, a merchandiser for a retail firm, has already seen her mortgage rise by £280 a month as part of the recent rise and is now paying £1,280 a month.

She now fears what the prospect of further rises in the future means as she braces herself for the final bill to fix her building.

It's a cruel blow that she came so close to avoiding had it not been for the pandemic's impact on the housing market.

“I'd actually put my flat on the market in January 2020 which coincided with my fixed rate mortgage ending. It was before the building needed an EWS1 and before the pandemic so I thought I'd just go on the variable rate as I'd be moving soon,” said Petty.

“I had an offer accepted on the property in February but then everything happened in March and by the time the market reopened an EWS1 form was required. So the sale fell through because my buyer's mortgage provider wanted that survey which we didn't have at that point.

“I guess now in hindsight I feel a bit of a fool because I just hoped that things would be sorted by now.

“With the base rate increases that we've had so far my mortgage has gone up by £280 and it's obviously going to continue going up. The most recent increase means it is £1,280 a month and my salary hasn't increased.

“I don't really know what I'm going to do to be honest. I think I'm just going to have to fix on one of these higher rates and take the hit.”

My life savings are in this and if I do go bankrupt all my savings are gone as well so everything is at stake

Iain Horn

Iain Horn, who lives in Coleman House in Fenny Stratford, Buckinghamshire, fears he may face bankruptcy as he waits to see how much it will cost him to cover work to remove wooden cladding and wooden balconies alongside fixing other fire defects with the building.

As the building is under 11 metres in height, Horn and other residents are unable to access support through the government's Building Safety Fund.

Horn found out about the defects two years ago and since then has been living with the uncertainty of how much he will have to pay and when he may be able to leave his flat.

"If I can't get out of this mess, my mortgage will probably go up £500 a month or something," said Horn, 48, who works in the print trade as a designer.

"It's stressful. My life savings are in this and if I do go bankrupt all my savings are gone as well so everything is at stake.



Iain Horn has invested in property but fears "everything is at stake" thanks to the cladding scandal and rising mortgage rates. Image: Supplied

"I'm just working all the hours God sends at work. I managed to put quite a lot of money away during lockdown because I wasn't commuting. That was before I became aware of this situation and I was planning holidays to Japan with my son but that has been put on hold so I can save money."

To make matters worse, Horn has also seen his building insurance double to £400 and seen ground rent rise alongside RPI inflation and estimates he lost £5,000 due to the impact on his private pension fund following the economic impact of the mini-budget on the market.

“It’s one of those things: all I’ve ever done in my life is work hard, save everything I can and then invest into property. I’ve always put my savings into where I live to improve my lifestyle and improve the quality of the area where I’m living and then this happens,” said Horn.

“It always affects the working class people: the people who try to build a dream and improve their family’s lives.”