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“FILE ON 4”

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Producer: Ian Muir-Cochrane

Reporter: Michael Robinson

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#### ACTUALITY IN PARLIAMENT

DARLING: Mr Speaker, my pre-Budget statement today is made against a background of economic uncertainty not seen for generations.

ROBINSON: This week, the Chancellor tried to kick some life into the sagging British economy.

DARLING: In these exceptional economic circumstances, I want to take fair and responsible steps to protect and support businesses and people now while putting the public finances on the right path for the future, and that is what I will do today.

ROBINSON: With the credit crunch, the banking crisis and the looming recession all having their roots in the housing market, tonight we reveal just how bad things have got, and how some house prices are now falling far more than the 15% so often in the headlines.

Minus 42%, minus ....

LEWIS: 60%, 63%. I'm hoping that's the highest drop. My word, 65%. That's incredible.

ROBINSON: With house prices falling and unemployment set to rise, more homeowners will be in trouble with their mortgages. How much can they expect from the Government's new protocol, launched last week and designed to persuade banks to back off on repossessions?

MAN: About as useful as a chocolate teapot. You can preach until you're blue in the face. It won't make any difference to it.

SIGNATURE TUNE

ACTUALITY AT BRISTOL HARBOUR

KERPNER: We've just turned off of the Avon now and we're heading down into Bristol city centre, down into a bit of water called St Augustine's Reach.

ROBINSON: Tourist boat trips round Bristol's harbour wend their way past shiny new blocks of apartments which now line the historic waterfront.

KERPNER: We've got a very good view now, we can see Bristol cathedral and in the distance beyond you can see the Wills memorial building.

ROBINSON: The apartments are the city's most visible evidence of Britain's housing boom. And now they're playing their part in the growing downward pressure on property prices. Local estate agent Richard Kerpner took me down to the waterfront to show me round.

KERPNER: It's all gone up really over the last sort of ten years, but obviously predominantly the last sort of five to six years has been the major sort of build. You've got on the far side of the river the quays, which has been up now sort of about ten years, then you've got Perrett's Court beside that. Along the quay again you've got the Point we're looking at right now, then behind us obviously we've got the Crest Nicholson development.

ROBINSON: All one after the other, springing up?

KERPNER: Yes, correct, you know. All the gaps along the quays have slowly have been filled.

ROBINSON: So what was driving all this?

KERPNER: It was fuelled obviously by the buy to let investment market where the investors thought that it was a good thing to be doing.

ROBINSON: Get on the bandwagon?

KERPNER: Correct, yes. I think that people got caught up in it. Obviously there was a demand – lots of people wanting to do it and it seemed to be the right thing to be going ahead with.

ROBINSON: In Bristol, as in city centres across Britain, prices soared as investors rushed in to buy – using the seemingly endless low deposit, cheap introductory interest rate loans the banks were offering. But now banks have changed their tune. These cheap introductory deals are running out and investors need new mortgages. But they're finding banks suddenly demanding big deposits – as much, Richard Kerpner says, as £30,000 or £40,000 extra per flat.

So if somebody owns one of these and they want to re-mortgage and they can't because they haven't got £30,000, £40,000, whatever it's going to cost, what happens?

KERPNER: Normally you put it on the market and try and sell it.

ROBINSON: And what does it do to prices when yet another one comes and hits the market?

KERPNER: It makes it more competitive again.

ROBINSON: "Competitive" - that's a euphemism, isn't it?

KERPNER: That means reducing.



ROBINSON: £80,000 instead of £140,000?

ELVINS: Exactly, yeah.

ROBINSON: Wow. But if they were revalued at £80,000 that would be, four eights are thirty-two, three hundred and twenty, that'd be less than the money you owe to the bank.

ELVINS: That's why I'm keen not to get them revalued.

ROBINSON: That bad news emerges.

ELVINS: Oh well yes, it's horrific. So, you know, it's fingers crossed at the moment.

ROBINSON: But it's not in buy-to-lets where Bristol's prices are on the slide.

LEWIS: These are typically three and two bed Victorian terraces and we've sold lots and lots and lots around here over the years.

ROBINSON: Have they been divided up, I see sort of more than one?

LEWIS: Lots have, yeah, lots have been converted into flats.

ROBINSON: Paul Lewis, of Clark's Estate Agency, deals in more traditional properties away from Bristol city centre. In this mostly residential street on a hill overlooking the city, he thinks some of the prices he was selling houses for at the height of the boom were unbelievable. Now he's wondering how far they are going to fall.

LEWIS: The best example I can give you of a high and a low and in fact we're walking past one now. I won't say the number and I won't say the name of the street, but without giving the exact figure we sold it for over £190,000.

ROBINSON: £190,000?

LEWIS: Two bed.

ROBINSON: Wow two bedrooms with that, that's a big price, isn't it?

LEWIS: We did very well. That was going back about eighteen months ago.

ROBINSON: So that was pretty near the height of the boom?

LEWIS: I would say that's when it peaked here.

ROBINSON: So if that person unluckily was forced to sell now, they lost their job or something went wrong, how much of that 190 do you think they'd get back?

LEWIS: If it was a forced sale, a repossession, probably £125,000 to £130,000.

ROBINSON: £125,000?

LEWIS: £125,000 to £130,000.

ROBINSON: If, after a fall in price, a house ends up being worth less than the mortgage used to buy it, a homeowner has what's called "negative equity". And negative equity is really nasty.

#### ACTUALITY OUTSIDE HOUSE

BUCK: We're in Kingswood and this is Grace Drive, which is just about four miles from the town centre of Bristol.

ROBINSON: It looks like a big estate here.

BUCK: Oh it's quite a nice estate.

ROBINSON: Up on a hill, lots of trees.

BUCK: This originally was built as a fireman's house. There used to be a nice fireman's bell out here and they used to come out and ring it and they'd all run down to the fire station.

ROBINSON: Mark Buck is an electrician in his mid-thirties with a wife and three children. His mortgage is with one of the aggressive sub-prime American lenders who flooded into Britain during the mortgage boom. Then they were more than keen to give him a mortgage. But, Mark found, they were tough customers too. When Mark missed a single £1,000 monthly mortgage payment late last year, he ended up in court.

BUCK: I went to court on the 22nd of December, which was quite a frightening experience, my first time ever to be in court and, I have to be honest, it was a terrible experience.

ROBINSON: After one payment missed?

BUCK: After one payment missed, yeah, after one payment, that's less than two months, you know. They didn't even give me a chance to recuperate, nothing, you know, I was in court. And we did try speaking to them many many times and they just wasn't interested.

ROBINSON: With the help of a local debt counsellor, Mark managed to stave off repossession – that time round. But now he's in trouble again and two months behind with his mortgage. But this time there's a big difference: a year ago his house was worth more than his mortgage, but over the past year the price of his house has collapsed and Mark is in the negative equity trap.

Your mortgage is £122,000?

BUCK: That's right, yeah, yeah.

ROBINSON: And if they repossessed your house and they sold it at an auction, forced sale, what do you think it would get?

BUCK: I suspect somewhere around about £80,000.

ROBINSON: £80,000?

BUCK: Probably something like that, yeah.

ROBINSON: £40,000 less than the mortgage?

BUCK: Yeah, which I'll have to take with me, yeah.

ROBINSON: What do you mean, take with you?

BUCK: We'll have to take that debt with me, because they'd pass that debt back to me.

ROBINSON: That would be a huge burden, wouldn't it?

BUCK: It would be, yeah, but I can't see a way around it.

ROBINSON: Three years ago, Mark cut up his credit cards and he and his wife have since been trying to get the family finances back under control. But if his lender repossessed the house now and he was forced to pick up a £40,000 shortfall, he says that would probably push him over the edge into bankruptcy.

BUCK: I'm quite angry, to be honest with you, yeah. We're human beings and we all go through these set paths on our lives, we all want to get married, we all want to settle down and have children, we all want to have a house, you know. How can it be, like yourself, a tad unlucky coming in at the wrong end, the thick end of the wicket, so to speak, and we pay the price.

ROBINSON: And if you could have your time over again, what one thing would you change?

BUCK: I wouldn't bother buying a house.

ROBINSON: The Council of Mortgage Lenders, the banks' trade association, is forecasting repossessions to rise sharply – to 45,000 by the year end. But there's no official information how big the debts people have been left with after their houses have been repossessed and sold really are. The more house prices fall, the larger those so-called mortgage shortfalls will be. Iain MacQueen-Sims, Chief Executive of the consumer loan analysts, OMNICHEK, is one of the best-connected outsiders in the business. He's been passed internal industry figures on average mortgage shortfalls. Even on normal, standard, mainstream mortgages, they're big.

MACQUEEN-SIMS: The shortfall there is £28,000 which I found surprisingly high.

ROBINSON: So for top quality mortgages, the houses have been repossessed, there's a £28,000 average shortfall?

MACQUEEN-SIMS: Correct. The more risky mortgages are where the borrower has certified his own income, called self certification loans, where lenders rather insanely decided to give borrowers total authority on declaring what they earned or what they didn't earn. The shortfall there is £43,000.

ROBINSON: Per mortgage on average?

MACQUEEN-SIMS: Per mortgage on average. The final and perhaps the most terrifying sector is the sub-prime, generally construed to be perhaps a borrower with a less than perfect credit record, and they are the most vulnerable to the sort of economic melt-down or downturn that we're going through.

ROBINSON: So what are the numbers there?

MACQUEEN-SIMS: £64,000.

ROBINSON: 64,000?

MACQUEEN-SIMS: Yup, and it would not be surprising if certain lenders were a lot higher than that.

ROBINSON: When it comes to analysing bad consumer debts, Iain MacQueen-Sims is as experienced as they come. But even he was taken aback at the size of those figures.

MACQUEEN-SIMS: You get the impression that the negative equity is far more widespread than perhaps lenders are prepared to admit. And where it does exist in the more vulnerable sector of the borrowers, they are hugely, hugely significant. Higher than anything there's ever been before. We knew there'd be a shortfall, obviously because of the way the lending frenzy developed and worked, but we really find these, they're not so much surprising as frightening ....

ROBINSON: Why?

MACQUEEN-SIMS: Because it's so quick. We're only months into the recession. I mean, it's not like the early nineties, which was ongoing for three or four years. I mean, it's crashing away. And the more job losses there are, the more property prices are going to fall.

ROBINSON: But can these leaked negative equity numbers really be right when the most widely cited measures of house prices, produced by the Halifax and Nationwide, say house prices have fallen over the past year by only around 15%?

#### ACTUALITY AT AUCTION

AUCTIONEER: Fifty five ... any other? Fifty five ... first time at fifty five, second time at fifty five, fifty five thousand pounds ....

ROBINSON: Earlier this month I took myself off to the front line of the housing market: the Allsop's auction – one of the biggest in the country – held in a smart gold and mirror-lined upstairs room in London's Cafe Royal. There I met an old contact - Andy Peers. He had his eye on lot 601 - a two-bedroomed repossessed ground floor flat in Clwyd, North Wales.

#### ACTUALITY IN AUCTION ROOM

ROBINSON: What are you hoping to get it for?

PEERS: Anything below £25,000 would be perfect.

ROBINSON: £25,000?

PEERS: Yes.

ROBINSON: And how much are you going to have to spend on it to bring it into good condition?

PEERS: I think somewhere between £10,000 and £15,000.

ROBINSON: So £40,000 to get a good condition flat in Clwyd, North Wales? What did it sell for?

PEERS: Originally I believe it sold for £134,000.

ROBINSON: £134,000 and you are hoping to get it in good condition for £40,000.

PEERS: Yes, absolutely.

ROBINSON: That sounds crazy.

PEERS: Yes, it does sound crazy, but it is possible. These things are happening right now.

ROBINSON: Here we go – you're the next lot.

AUCTIONEER: .... Flat with two bedrooms .... Sold.

ROBINSON: Andy wasn't lucky this time. He was outbid. But even after refurbishment costs, the successful bidder would have picked up the flat for well under half what its previous owner paid.

Are you surprised by that?

PEERS: No, because I am seeing it happen a lot.

ROBINSON: What does that tell us about what's happening to house prices?

PEERS: Well it tells us house prices at the wholesale market are going for a lot lot less than just this 15 % that the press are saying that are happening through estate agents.

ROBINSON: Sales through estate agents have collapsed – one reason, perhaps, traditional measures of house prices no longer seem to reflect what's happening on the ground. But despite the far lower prices, Andy Peers says there are far fewer buyers here at the auction than there were a year ago.

PEERS: Well, I think there's about a third or half of the people in the room today than there was same time last year.

ROBINSON: Why is that?

PEERS: We're all quite scared as to whether we're going to get finance to be able to either remortgage these properties we're buying or even be able to sell them on.

ROBINSON: There's another important difference from last year. The auction catalogue is full of repossessions - properties reclaimed by banks when owners couldn't keep up with their payments.

PEERS: There is one page here where every single property is a repossession.

ROBINSON: I mean, just flicking through page by page, can you see anything except repossession?

PEERS: It looks to me like there's about 85 to 90% of these properties are repossessed properties.

ROBINSON: Wow. And how does that compare with last year?

PEERS: It's about double.

ROBINSON: And what does that tell you?

PEERS: Banks are repossessing more properties than they were last year and therefore more people are struggling.

ROBINSON: I was at the Allsop auction for a couple of hours and I noted the prices of all the properties sold while I was there. Afterwards, I sat down to see if I could use that data to estimate how much British house prices had really fallen since the height of the boom in October last year.

Stage one of the exercise was to get online and find out from the Land Registry the price of each property the last time it was sold and when that sale happened. That took quite a bit of doing. For example, here's a flat in Birmingham, lot number 561. It last sold for £225,000 at the end of 2006. Stage two then is to use Nationwide's housing index to estimate what each of the properties would have been worth last October, at the height of the boom. In the case of that Birmingham flat, the £225,000 indexes up to £241,000. Now stage three is to compare that indexed-up price with what was actually achieved in the auction room. In the case of this flat it was £93,000 which is 61% lower. Now it needs to be said obviously that

ROBINSON cont: the sample is small and they mostly come from the Midlands the north, but even allowing for that, the average result of all these properties is startling. The prices of them have fallen over the past year by 48%.

Here's this analysis of the figures, and this column here shows the fall from what these houses would have been at the peak – a rough estimate ....

I showed my figures to debt analyst Iain MacQueen-Sims. He thought the methodology made sense, but he was taken aback by the conclusions.

MACQUEEN-SIMS: I find it very shocking and very frightening to look at these.

ROBINSON: Why?

MACQUEEN-SIMS: Well, because they're so high. And I mean ...

ROBINSON: What the falls?

MACQUEEN-SIMS: Yes, they're so high. From my point of view you read the generic property prices of maybe 10% or 15% or 20% and that's bad enough, but when you look at individual cases, personally it's horrifying, it really is. I would love to see what the big lenders' own internal records show and what their own data interpretation shows, because I very much suspect a lot of them are doing similar exercises to what you've gone through.

ROBINSON: What does this indicate?

MACQUEEN-SIMS: I accept that forced sales, which of course is what we're talking about on a repossession, are at the sharp end of property price decline. But even so, even allowing for that, then this is still unpleasantly, unpleasantly high

ROBINSON: I then showed my numbers to Roger Bootle of Capital Economics: the first economist to warn about the dangers of the growing British housing bubble.

BOOTLE: Well I have to say, on the face of it they're pretty extraordinary – they're devastating actually. Now obviously you've got to ask yourself, is there a sense in which they're not truly representative? But when you do all that I still come away pretty amazed by them.

ROBINSON: And how does this compare with the sort of headline figures, year on year price reduction, 15%? Is it significant that these are so different?

BOOTLE: Oh, these figures are in a completely different parish from the headline numbers, the ones put out by the two major lenders. What's interesting about these is this is a real market, and telling you that in a real market, when people have really got to sell, the price is way, way, way down.

ROBINSON: Until recently it was common for leading British politicians and policymakers to point across the Atlantic and blame the American housing bubble for our present economic crisis. But Roger Bootle says that was a mistake.

BOOTLE: The shocking fact is that I think it's pretty clear, on average the bubble here has been much bigger than in the US.

ROBINSON: Why?

BOTTLE: Well, if you just look at the rate of increase of prices, the cumulative increase in house prices in the UK has been much bigger than the US. We know why it's happened, it's happened because lenders piled out money like there was no tomorrow, and that was probably, at the macro level, on average, worse in the UK than it was in the US.

ROBINSON: But does it matter if our bubble here is bigger than the US?

BOTTLE: Well it matters if you're at the receiving end of it, because it means that the extent of price falls is probably greater as well.

ROBINSON: As house prices go on falling, ever more people will find themselves with negative equity. And higher unemployment will mean more of them will have difficulty meeting their payments. The result: more repossessions and more forced sales, pushing prices lower still. To help stem that deadly decline, the Government has a new protocol with mortgage lenders under which banks agree to make every effort to keep people in their homes rather than repossess their houses. That protocol came into force last week.

#### EXTRACT FROM RADIO 2

PRESENTER: And here's what we've got coming on Radio 2. We'll speak live later to the Prime Minister. Love to hear from you if your home is being repossessed. We have new figures on that out today.

ROBINSON: Gordon Brown turned up on a top Radio 2 phone-in to tell callers what his protocol was designed to achieve.

BROWN: I'm telling the banks it is a bad thing for them to move to repossessions, because people are in temporarily difficult circumstances but they've got an asset which in time will grow in value and people, even if they're made unemployed for a short period of time, will be able to get jobs back.

ROBINSON: Lenders, he told another listener, should be more flexible in making mortgages easier to pay when people get into difficulty.

BROWN: A mortgage could be renegotiated, a mortgage could be spread over a longer period of time. Some help can be given in periods where there's unemployment or changes in the family's circumstances. We're as anxious as your caller is to avoid repossessions.

ROBINSON: On the face of it, there's no dispute between the Prime Minister and the banks. Last week the lenders' trade body, the Council of Mortgage Lenders, said "lenders are absolutely committed to ensuring that repossession is only ever a last resort". But on the ground, the picture can look very different. As late as last week, File on 4 found Britain's biggest mortgage lender, HBoS, refusing to do a deal to keep a borrower in her home, even when that deal seemed to make perfect financial sense.



ROBINSON: And until you opened the restaurant, how had your track record been on paying your mortgage?

AMATO: No problems at all, absolutely no problem at all.

ROBINSON: Every payment made?

AMATO: Yes.

ROBINSON: For how long?

AMATO: Since the early 1990s.

ROBINSON: The restaurant's failure put strain on Sharon's marriage and she and her husband are now separated. But her life would now be getting back on track – except for the threatened repossession. Sharon has been offering HBoS what seems to be a practical, workable alternative to eviction.

AMATO: I said to them, basically I'm willing to carry on paying my mortgage. Can you put my arrears onto the end of my mortgage, extend the term because I've only got fourteen years to go to bring my monthly repayments down.

ROBINSON: How much is your monthly payment?

AMATO: My monthly payment on my mortgage is £1,115, but if they were to add my arrears and extend the term it would actually bring it down quite substantially.

ROBINSON: To what, roughly?

AMATO: £700 to £800 a month.

ROBINSON: How much do you earn a month, how much do you bring home?

AMATO: Just over £2,000 a month.

ROBINSON: So can you afford the monthly payment?

AMATO: Yes I can do yes, yes.

ROBINSON: So what did they say when you said, I want to pay the mortgage?

AMATO: They said no.

ROBINSON: Sharon doesn't have negative equity and, even in the current depressed market, her house is worth far more than her £150,000 mortgage. HBoS isn't only Sharon's mortgage lender. She also works for the bank – and has done so for the past twenty-four years. But that seemed to make no difference. Even when she set out her offer formally at a repossession hearing in early October in Bristol County court, HBoS still said no deal.

AMATO The judge in the court at the time was absolutely gob-smacked, she couldn't believe it because I'm an employee. I've worked there for twenty-four years, I've got a good track record. I've said if they're concerned about me going into arrears, I said well just take it straight from source. You're paying me, take it straight from my salary, which I'm perfectly willing to do. And they just came back and said no, and she was absolutely astonished, she couldn't believe it. That they would rather evict me and my children than allow me to stay here and pay a mortgage.

ROBINSON: What happens now?

AMATO: The situation currently is that I'm going to be evicted from my home.

ROBINSON: After meeting Sharon, I emailed HBoS to ask why they had refused Sharon's offer and to say that her case seemed to raise important broad questions about whether and when lenders like them should repossess borrowers' homes. Then, last Monday, it was back to Bristol.

## ACTUALITY AT SOUTH WEST LAW

RECEPTIONIST: He is with a client ...

ROBINSON: I met Sharon in the waiting room of South West Law – a Bristol firm specialising in helping people in financial trouble. Earlier that same morning, Sharon told me, she'd phoned HBoS to repeat her offer. And once again HBoS had refused.

AMATO: I've been extremely tearful all weekend – extremely. Just trying to put a brave face on things and obviously for the sake of the children as well, so you have to try and be brave for the sake of them.

ROBINSON: Have you told them yet that this might happen?

AMATO: Well my two year old doesn't understand and my twelve year old, no I haven't told him.

MAN: So it's a May 98 mortgage. Over how many years was it to be repaid?

AMATO: There's fourteen years left to go.

ROBINSON: Sharon explained her situation to Derek McConnell, her new solicitor, and the offer she's been making HBoS. But the news wasn't good. Derek said he'd try to fight the eviction in court the next morning, but unless HBoS agreed to Sharon's deal, the eviction would probably still go ahead.

MCCONNELL: All I can suggest is we try to run with the information that you've got to show that it can be salvaged if the claimant is willing to help, so I think that's how I'd see we do it. Eviction is at 12 noon tomorrow. That means we have to put in an application today.

AMATO: Okay.

MCCONNELL: Which will have the case listed first thing tomorrow morning at ten o'clock.

AMATO: Okay.

ROBINSON: After Derek left to prepare the court paperwork, Sharon switched on her mobile phone and things suddenly began to happen.

AMATO: I've just had a voicemail from my boss, my line manager at HBoS and he's spoken to the Head of Recoveries, and coincidentally I've had a voicemail message from her as well, so it sounds like they're trying to do something for me at long last. Sorry, all these developments happened while my phone was off and we were in.

ROBINSON: What do you think has happened?

AMATO: Your email to them this morning has probably rattled a few cages, so I think they're probably running around at the moment trying to see what they can do to avoid this from happening.

ROBINSON: After months of struggle and worry, it took just five minutes on the phone with HBoS's Head of Arrears and Repossessions for Sharon to agree a deal and for Sharon's eviction the following day to be cancelled. Her lawyer, Derek McConnell, was also delighted with the development. But he had no doubt as to why it had happened.

Is a last minute change of mind like this very common?

MCCONNELL: No it's not common at all. It's because you were involved in putting it to the bank that they've decided to back down, effectively. Had you and I not been in communication and she'd not been in communication with me, I think it's very likely that she and the kids would have been out tomorrow.

AMATO: I just feel like a huge weight has been lifted off my shoulders. I really do. One of the first things that – sorry – springs to mind is not having to

AMATO cont: tell my son he can't come home tomorrow night after school. Which is what I would have had to do if this hadn't have happened today. Sorry. It's just got a bit much for me.

ROBINSON: You don't have to apologise.

AMATO: Sorry, it's just all those emotions that I've tried to keep in, just – sorry about that.

MCCONNELL: It's all right, you're allowed.

AMATO: I'm sorry. I try to put a brave face on things and be professional at all times. But we're all human, aren't we?

ROBINSON: HBoS did eventually reply to my email about their treatment of Sharon. They told me she had been hard to contact and hadn't replied to a stream of letters and couldn't be got hold of by a debt counsellor - charges Sharon, at least in part, disputes. But then HBoS made a remarkable claim. They said that, up until the 17th of November – the day before her eviction was due, Sharon had never made them any kind of offer. If that was right, then Sharon's whole story was untrue. So I went back to Bristol and checked the county court record of her appearance with HBoS six weeks earlier to see if Sharon really had made the offer of payment she claimed. And she had. HBoS's representative had turned it down and the judge had expressed surprise at the decision, just as Sharon said. We asked to interview a senior HBoS director on why they had made a completely untrue claim about Sharon Amato, why they had treated her as they had and, in the light of the new Government protocol, what her case told us about HBoS's willingness to do deals with borrowers. We're still waiting to hear back. As it happens, Sharon's lawyer, Derek McConnell, is also the co-author of a widely-used legal text book on repossessions, and he's been closely studying the new protocol the Government has agreed with lenders. How many repossessions is this going to stop?

MCCONNELL: I don't think its going to stop any repossessions in itself. The protocol will go some way towards improving communication between the

MCCONNELL cont: mortgage lenders and defaulting borrowers, but it's not going to be the answer and will not stop people being evicted if a lender is intent on repossessing. And unfortunately my experience currently, lenders are very quick to repossess and the protocol won't stop that happening.

ROBINSON: They're not going to change that?

MCCONNELL: The protocol won't change that, no.

ROBINSON: Is it going to give me more rights to stay in my house?

MCCONNELL: No, it never was intended to nor could it as a protocol change the law, I mean the protocol preamble says that the protocol does not alter the parties' rights and obligations.

ROBINSON: You've got politicians up and down the country saying, you know, we want to keep people in our homes, this is the answer.

MCCONNELL: The protocol is not the answer. What is the answer is mature and sensible repossession policies and practices by the lenders and a change in the legislation to give the courts some teeth to stop evictions when a lender is acting unwisely.

ROBINSON: We asked to interview a Government minister about the protocol, to ask whether a change in the law was needed to make a real difference to repossession numbers, but no minister was available. But according to consumer debt specialist Iain MacQueen-Sims, the Government will soon find itself dealing with new beasts in the financial jungle. Hedge funds and so-called vulture funds which have started buying up mortgages of borrowers are behind with their payments. And he says the way they plan to make their money is unlikely to help the Government keep more people in their homes.

MACQUEEN-SIMS: A vulture fund or a hedge fund would say, okay, we know you've got £100 million of sub-prime loans. We're prepared to buy it out for a deep discount – we'll buy it for £40 million or £50 million.

ROBINSON: Why does that make sense to the fund buying it?

MACQUEEN-SIMS: Haha. The business plan is very simple. If somebody's in arrears they can move to repossess the property and very quickly. What if they have to sell the property? They don't really mind. I mean, they've bought it at such a deep discount, even if it goes to auction or forced sale, they'll still make money. Their interest is not in maintaining the mortgage borrowers in their homes. It's getting rid of them so that they can sell the properties.

ROBINSON: Tony Ward, the Chief Executive of the Home Funding group, is an expert in the buying and selling of debt. This growing market in mortgages, he says, is wrapped in secrecy. As things stand, there's no way to know who is buying how many of which kind of mortgage – or, more particularly, what they plan to do with them.

WARD: These are not publicly disclosed transactions. It's very hard to get hard and fast data on what exactly has happened, how many loans are for sale, how many have been bought, at what price, who's bought them, how are they managing them - that's not public.

ROBINSON: No regulator, there's no register, there's no exchange, there's nothing?

WARD: Well, you can investigate, you can ask people, you will turn things up. But no, these transactions will be probably subject to confidentiality.

ROBINSON: Nothing which a person like me, a journalist like me can do to try and find out? I mean, there's nowhere I can go to?

WARD: You could find a name, you could go and search them out on Companies House. I think you can go and look for it, but you will not find a register of transactions done, prices, details. You will not find that.

ROBINSON: In a statement to File on 4, the Financial Services Authority acknowledge that hedge funds and vulture funds are outside their control. But they say the professional mortgage administrators the funds would have to hire still have to follow their rules. But Iain MacQueen-Sims doubts that will prove much deterrence to aggressive funds after quick returns.

What about the Government's new protocol which the Prime Minister has brought in to slow this down and try to ensure that lenders do everything they can to keep people in their homes?

MACQUEEN-SIMS: About as useful as a chocolate teapot.

ROBINSON: But doesn't a hedge fund or a vulture fund have to pay attention to that?

MACQUEEN-SIMS: Not at all, why? I can't see why. There's no regulation. I can't repeat it enough. There's no regulation. So you can preach until you're blue in the face. It won't make any difference to it.

ROBINSON: America has already tried pleading with banks to go easy on borrowers, and it was a failure. Economist Roger Bootle thinks exhortation is unlikely to succeed here in Britain.

The Government is now saying, Prime Minister down to lenders 'do everything you can to keep people in their homes to avoid these repossessions'. I mean, do you think that's feasible?

BOOTLE: There's a real tension here between, as it were, the political and the economic imperative on the one hand and the financial imperative on the other. It's all very well urging lenders to keep people in their homes and because the effect of repossessions is so desperate on prices, even of other properties, there is a case for doing that. But it's asking a lot, frankly, isn't it, of self interested profit maximising institutions to do all that when they want to get their money back - or at least as much of it as they possibly can.

