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Housing, debt, and credit score classification situations: what the unique 'situation' of mortgage prisoners reveals about contemporary class inequality

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ABSTRACT

The expansion of debt-leveraged homeownership in Anglo-capitalist economies – including the US, UK, and Australia – has created powerful stratifying effects, which prevailing critical Marxist and asset-based stratification accounts assert are reconfiguring class inequalities. While the Marxist account contends that altered class relations are centred on *bifurcations* between creditors and debtors, the asset-based one constructs typologies of *differing* relationships to asset ownership. This paper challenges this for insufficiently acknowledging the role of classificatory credit scoring systems within credit markets in unequally shaping access to debt and subsequently, housing; and the interest-bearing consequences. Drawing on a qualitative case study of 28 interviews with 'mortgage prisoners', existing borrowers unable to remortgage even if up to date with payments, and proceeding in close conversation with Fourcade and Healy's notion of 'classification situations', I examine how mortgage prisoners' credit score situation impacts their capacity to (re)access debt-leveraged housing. The results demonstrate: mortgage prisoners' credit score situation dominates their experience of homeownership; many are hyperaware of their credit score and internalise its moralistic valuation; and some are resigned to or defeated by its apparent impermeability. Examining the mortgage prisoners' case enhances critical Marxist and asset-based accounts by highlighting the complexity of financialised housing systems and how it impacts stratification and life chances.

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Mortgage prisoners; class; mortgage debt; credit score classification situations; housing stratification

Introduction

Since the 1950s, Anglo-capitalist economies such as the US, UK and Australia have experienced a golden era of homeownership (Arundel & Ronald, 2021; Forrest & Hirayama, 2018). Financialisation processes increased public engagement with private

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household debt, facilitating homeownership to larger segments of the population and rising house prices (Aalbers, 2008, 2017). As homeownership expanded prior to the global financial crisis ('GFC'), its social, economic and geographic profile changed (Forrest & Hirayama, 2018). However, the volatility triggered by the GFC fractured the optimism surrounding mass homeownership and the pre-crisis financialised model, which recent increases in the cost-of-living and interest rates have exacerbated further. Extensive research provides burgeoning evidence of rapidly rising housing market inequalities (Aalbers, 2017; Arundel & Ronald, 2021), which prevailing critical Marxist (Dos Santos, 2009; Lapavitsas, 2011; Lazzarato, 2011; Soederberg, 2013) and asset-based (Adkins et al., 2019, 2020; Forrest & Hirayama, 2015, 2018) approaches suggest are reconfiguring class inequalities.

The paper is centred upon the unique 'situation' of 'mortgage prisoners', a 'class of existing borrowers' (Scanlon et al., 2023, p. 5) unidentified in prevailing accounts and unable to switch their mortgages to a better deal, even if up to date with payments (Browning, 2023). In the UK, although borrowers can normally move to another short-term deal at the end of their existing product, changes in lenders' assessment of credit risk or borrowers' affordability (Ciocanel et al., 2022) can create 'conditions for mortgage prisoners' (Bailey, cited in Browning, 2023, p. 27).

Most of the existing class of mortgage prisoners obtained mortgages in the pre-GFC period from now obsolete lenders, whose loan books were later sold by the UK government to inactive investment firms, which do not offer new mortgages (Browning, 2023; Scanlon et al., 2020, 2023). In a prominent review of mortgage prisoners in 2021, the Financial Conduct Authority ('FCA') found their credit score, invariably lower than the most recent switchers in the open mortgage market, was the central factor restricting their capacity to switch. Thus, they are locked out of the open market and trapped on mortgages with relatively expensive interest rates (Scanlon et al., 2023). Despite increasing attention from government, regulators and the media, academic research has yet to examine the reasons behind higher arrears and impaired credit files among mortgage prisoners, the impact of credit scores, nor the extent that mortgage prisoners are aware of and understand them: which is where this paper makes an empirical contribution.

I ground my analysis in credit score 'classification situations' (Fourcade & Healy, 2013, 2017) to provide 'more specificity in trying to understand' (Ciocanel et al., 2022, p. 52) mortgage prisoners' situation: addressing limitations in prevailing accounts, and increasing 'the agency and voice' (Ziewitz & Singh, 2021, p. 1) of those whose lives are disproportionately affected by credit scoring systems.

Data is generated from a qualitative case study involving 28 semi-structured interviews with UK-based mortgage prisoners. The results demonstrate: participants' credit score situation dominates their experience of homeownership and the associated exploitation it generates; many are hyperaware of their credit score, and internalise its moralistic valuation; and some are resigned to or defeated by its apparent impermeability.

The paper proceeds as follows. The first section reviews literature on financialisation, debt-leveraged housing inequalities and credit scoring, while the second outlines the unique 'situation' of mortgage prisoners. The third outlines the methodology, and the fourth marks this article's empirical contribution. The fifth section discusses the results in view of credit score stratification literature and theorises their implications for prevailing critical Marxist and asset-based approaches to the class dynamics of debt-leveraged asset ownership. The final section provides a conclusion.

Financialisation, debt-leveraged housing inequalities, and credit score classification situations

Financialisation in Anglo-capitalist countries is predominantly characterised by the widespread engagement of households with private mortgage debt, which enabled a rise in homeownership, resulting in greater competition for homes and higher house prices (Aalbers, 2008, 2017). The political drive to increase homeownership is part of a neoliberal policy paradigm that advances markets, privatisation, low taxes and welfare retraction (Forrest & Hirayama, 2015), alongside values associated with self-reliance and competition, enhancing the cultural importance of homeownership at individual and societal level (Aalbers, 2008). Homeownership was promoted as a prime, achievable aspiration of individual households: to acquire a stable home and realise greater economic security over the life course (Arundel & Ronald, 2021).

As homeownership expanded, its social, economic and geographic profile changed (Forrest & Hirayama, 2018). Rates initially rose amongst middle-class families (Aalbers, 2017), but a range of increasingly diverse prime and sub-prime mortgage products (Poon, 2008) and favourable governmental subsidies (Scanlon & Elsinga, 2014) led to its expansion throughout the 1990s and 2000s amongst more marginal working class and non-white households (Arundel & Ronald, 2021).

However, volatility triggered by the crisis in (predominantly sub-prime) mortgage markets which underpinned the GFC fractured the optimism surrounding mass homeownership (Arundel & Ronald, 2021; Forrest & Hirayama, 2015). Although housing-based wealth has continued to rise to 'historically unprecedented heights' in Anglo-capitalist countries, maintaining the important role of housing in the accumulation regime of contemporary financialisation (Aalbers, 2017, p. 545), extensive research provides mounting evidence of rising housing market inequalities: involving more unequal concentrations of housing wealth (Arundel & Ronald, 2021), growing barriers to homeownership (Scanlon & Elsinga, 2014), and declines among homeowner populations, particularly within younger age groups (Forrest & Hirayama, 2015, 2018).

Critical Marxist and asset-based stratification approaches provide the prevailing accounts of the underlying class dynamics here. However, while the Marxist account contends that altered class relations are centred on *bifurcations* between creditors and debtors (Dos Santos, 2009; Lapavitsas, 2011; Lazzarato, 2011; Soederberg, 2013), the asset-based one constructs typologies of *differing* relationships to asset ownership (Adkins et al., 2019; Forrest & Hirayama, 2018).

Although these accounts make important contributions to explaining the class implications of the rise of debt-leveraged asset ownership, the role of credit scoring systems within credit markets in unequally facilitating access to debt and subsequently, housing is overlooked. There is increasingly rich literature on the financialisation of housing that focuses on credit scoring of (potential) homeowners (Aalbers, 2017), although much focuses on the US. These studies have addressed three areas, including how credit scores shape access to credit markets, reflect inequalities embedded in the social system while generating new forms, and shape perceptions and strategies of action.

Credit scores are predominantly constructed by three credit reference agencies ('CRAs') – Experian, Equifax, and TransUnion – based on three main sources: credit reporting data, including payment history, submitted by lenders; recent credit searches and applications; public information regarding electoral roll, CCJ data, insolvency, and repossession(s) information (Ciocanel et al., 2022). Risk calculations embedded within a credit score are predictions about a potential borrower's probability of default. A loan application's success often depends on the policies of a specific institution (Aalbers, 2008), and risk levels deemed acceptable. It is possible for an applicant's credit score to be outside one provider's lower limit and for them to be rejected – but approved by another, albeit with less-favourable conditions such as a higher price and more stringent criteria, such as a shorter term (Aalbers, 2008). This is one aspect that split mortgage finance between conventional, risk-adverse prime and more risk-avaricious sub-prime (Poon, 2008). Credit scoring systems were thus partly responsible for the development and eventual collapse of mortgage markets for sub-prime loans, triggering the GFC (Aalbers, 2008, 2017; Poon, 2008). Since then, the 'tools, mechanisms, apparatus and prostheses' of credit scoring have expanded still further (Kear, 2017, p. 363).

Fourcade and Healy (2013, 2017) offer a valuable framework for examining these processes. They argue there has been a broader shift in the neoliberal era, whereby various market settings mine and analyse huge quantities of data generated by new technologies, to construct segmented categories of individuals based on their 'taste, riskiness or worth' termed as 'classification situations' (2013, p. 9). These assessments are turned into economic opportunities by market actors who diversify products and services with 'sharply differentiated pricing strategies' (Fourcade & Healy, 2017, p. 29). A credit score is an individual's 'classification situation' within credit markets: 'Consequential for one's life-chances … associated with distinctive experiences of debt' (Fourcade & Healy, 2017, p. 26).

Fourcade and Healy (2013, 2017) also observe that extending the reach of financial products and services to potential borrowers expands the market at the boundary, while simultaneously increasing internal market segmentation through price differentiation (i.e., risk-based pricing), credit volume and type. As the score increases, the loan amount and term tend to do likewise, while the interest rate falls. A high credit score is crucial in gaining access to enough debt to purchase a housing asset and advancing economically (Foohey & Greene, 2022).

Although a credit score might appear a neutral, objective representation of someone's financial circumstances (Spooner, 2019), they reflect and reinforce long-standing inequalities that originate elsewhere in the social system: such as systemic racism and gender inequality (Dwyer, 2018). They influence who can leverage debt to purchase a (housing) asset and shape wealth accumulation opportunities off the proceeds of rising house prices. Furthermore, research has identified the 'off-label' transference of credit scores (Rona-Tas, 2017) into other settings they were not constructed to operate in: such as insurance, car rentals, mobile phone contracts and employment markets (Foohey & Greene, 2022).

Thus, credit score classification situations do not just reflect existing inequalities but can generate them through class-like effects on life chances (Fourcade & Healy, 2013, 2017; Jürgenmeyer & Kreen, 2016). These can become exacerbated when payment difficulties arise and borrowers' default, as resultant downward reclassification of credit scores will lead to penalty charges, higher interest rates and payments (Fourcade & Healy, 2013, 2017;

Sparkes, 2020). Those with a fair or low score can become stuck in cycles of high interest rates and inflated payments, and 'find it nearly impossible to erase the blemishes that feed those scores' (Foohey & Greene, 2022, p. 101).

As credit scores function as a measure of creditworthiness (Poon, 2008), they disguise these structural effects and pathologise financial actions as reflecting moral worth (Kear, 2017; Sparkes, 2020; Spooner, 2019). Although a credit score is a three-digit quantitative number, individuals are grouped into 'bands' which offer qualitative assessments of their position, with the labels 'excellent', 'very good', 'fair', 'poor' and 'very poor' pointedly reflecting this moralistic gaze. Those rewarded or penalised due to their credit score are viewed as receiving their just desserts (Jürgenmeyer & Kreen, 2016; Spooner, 2019).

A small but growing body of work has identified the performative and affective dimensions of credit scores (Rona-Tas, 2017) that can influence individual self-perceptions, consciousness and strategies of action (Jürgenmeyer & Kreen, 2016; Kear, 2017), although it is not unequivocal (Ciocanel et al., 2022). While Kear (2017) identified a self-conscious, reflexive, deliberate attempt to engage with financial behaviours aligning with the underlying premise of credit score calculations among marginalised individuals trying to build their score, Ziewitz and Singh (2021) suggest this awareness is likely to occur after a negative event. Awareness and experience of credit scoring systems seem tied to the circumstances the score seeks to represent and are likely to differ widely across situations (Ziewitz & Singh, 2021).

Although there is extensive literature on credit scoring in the US, there is limited empirical evidence in the UK, particularly regarding its usage in housing decisions. Research on the public's everyday experiences, understanding and perception of credit scores is particularly lacking (Ciocanel et al., 2022; Ziewitz & Singh, 2021). Ciocanel et al. (2022, p. 52) suggest 'more specificity in trying to understand differences between situations and groups of people' is needed, particularly in the UK.

The unique 'situation' of mortgage prisoners

The need for greater specificity in understanding differences between situations and groups is particularly salient for the unique 'situation' of mortgage prisoners unable to switch to a better deal, even if up to date with their payments (Browning, 2023). This is highly important in the UK: most mortgages are sold with a short-term introductory offer that can trigger a higher standard variable interest rate ('SVR') if the borrower is unable to remortgage.

The conditions underpinning the current problem of mortgage prisoners in the UK stem from the GFC, and the regulatory measures implemented by successive governments to address riskier mortgage lending practices dating back to the early 2000s (Scanlon et al., 2023). There is a combination of three core factors. First, the UK government sold mortgage portfolios from several collapsed lenders, such as Northern Rock and Bradford and Bingley, to 'inactive firms' which were not mortgage lenders, resulting in closed mortgage books (FCA, 2021, p. 21; Scanlon et al., 2023). Some of these inactive firms packaged their closed mortgage portfolios into residential mortgage-backed securities ('RMBS') that were sold to unregulated investors (FCA, 2021; Scanlon et al., 2023). These are managed by third-party regulated administrators whose operations must comply with FCA regulations, although interest rate setting is not a regulated activity

(Browning, 2023; Scanlon et al., 2023). Second, a more cautious lender risk appetite, resulting in the removal of high loan-to-value ('LTV') mortgages and the requirement of robust capital repayment plans for interest-only mortgages (Browning, 2023; FCA, 2021). Third, new regulatory restrictions on lending from 2014, including the introduction of affordability assessments (Browning, 2023; Scanlon et al., 2023). These measures aimed to reduce risk but created 'a new class of existing borrowers' who obtained mortgages in the pre-GFC period and found their characteristics no longer aligned with lenders' revised risk appetites or affordability assessments, so could not easily remortgage (FCA, 2021; Scanlon et al., 2023, p. 5).

Despite acknowledging there are mortgage prisoners with active lenders, the FCA focus solely on the population of closed book mortgages with inactive firms (FCA, 2021, 2023). Yet even this group is not 'homogeneous … and have a wide range of characteristics' (FCA, 2021, p. 23), which have undergone recent changes. The closed book population fell from 195,000 in 2021 to 166,000 in 2023, of which 10,992 remortgaged with an active lender (FCA, 2023). These borrowers likely had mortgage and credit file characteristics more aligned with risk appetites of active lenders. Resultantly, the FCA (2023) found that first, the proportion with variable rates has increased from 94 to 96% (whereas the proportion with active lenders is 13%). Second, those with interest-only mortgages have dropped from 53.5 to 52.9% (the proportion with active books is 9%). Finally, those in arrears increased from 17.2 to 24.9% (the proportion with active lenders remained at 2.2%). Yet views on which borrowers with closed book loans should be classified as mortgage prisoners are contested (Browning, 2023).

Two prominent, competing definitions are provided by the FCA (2021, 2023) and the London School of Economics (Scanlon et al., 2020, 2023). The FCA's definition of mortgage prisoners is narrow: only those closed book borrowers up to date with payments but unable to switch due to high LTV ratios (above 50%) and/or low credit scores. It discounts those nearing end of term or in arrears, leaving an estimated 50,900 prisoners (FCA, 2023). The FCA (2023) acknowledge that rising interest rates, alongside other financial pressures, has contributed to arrears: finding 86% of closed book accounts have interest rates higher than at origination, and 73% in arrears paying rates of more than 7%. Yet they are still excluded from the definition. Scanlon et al. (2020, 2023) define them as borrowers with closed book mortgages who do not meet standard eligibility criteria for remortgaging with active lenders. However, unlike the FCA, they include those in arrears, arguing their prevalence amongst closed book borrowers is due to higher-than-average interest rates owing to their prisoner status.

The definition does matter: it influences how the government and public perceive the scale of the issue, whether 'blame' is directed towards those in arrears (implied by the FCA) or the consequences of regulatory measures (implied by Scanlon et al.), and the policies proposed to tackle it. From 2019, the FCA allowed active lenders to use a modified affordability assessment for closed book borrowers enabling them to switch, but only if up to date with payments. Inactive firms were required to send information to relevant borrowers. However, despite predicting up to 14,000 could switch, only around 200 benefited (FCA, 2021, p. 16).

The unique 'situation' of mortgage prisoners problematises prevailing accounts because they are *included* in housing markets as homeowners with a mortgage – but remain *excluded* from remortgaging with active lenders due to their 'situation' in credit markets. This is likely to significantly impact how they perceive and understand their homeowner status and credit score situation.

Examining these issues, this paper grounds its analysis in the 'classification situations' framework to provide 'more specificity in trying to understand differences between situations and groups of people' (Ciocanel et al., 2022, p. 52). A case study of mortgage prisoners not only extends understanding of a broader range of *situations* underpinning the stratification of housing but offers a specific empirical case of credit score *situations*: addressing the limitations in UK-based credit scoring research.

Methodology

The aims are best addressed through a qualitative methodology because the epistemology is 'animated by an impulse to capture the particularities and nuances of situated lives' (Carrigan, 2012). Semi-structured interviews were viewed as most astute because their flexibility is well-suited for studies with exploratory objectives (Sullivan, 2001), and they enable the collection of rich, in-depth, reflective data (Mason, 2017).

To obtain a sample of mortgage prisoners, the stakeholder group, UK mortgage prisoners, was approached. The group was established in 2018 on Facebook as a space for connecting mortgage prisoners and highlighting their plight, while functioning as a not-for-profit organisation to challenge what they view as the unhelpful policy stasis of successive UK governments and the FCA. The study received ethical approval from the Sociology Ethics and Risk Assessment for Research Committee, University of Cambridge. In-depth interviews were subsequently carried out with 28 individuals from the group between April and August 2023. Participants were given autonomy to choose whether interviews were online or in-person; 23 took place via Zoom, with the others face-to-face in locations across Britain.

The sample consists of 20 women and eight men, with ages ranging between 38 and 79. In terms of ethnicity, 22 are white British, four are black British, one is British Asian, and one is white Australian with British citizenship. All took out UK-based mortgages prior to the GFC: 19 with Northern Rock, four with GMAC, one each with SPML, Alliance, Cheltenham and Gloucester, Future Mortgages, and Kensington. The original mortgage types involved 22 interest-only, four part-and-part, and two repayments. Four participants' mortgages are now held with specialist active lenders (two with Kensington and two with Whistletree), but the majority are held with closed book, inactive firms: Landmark (nine), Heliodor (eight), Mortgage Agency Services Number Five (one), Capital Miles (one), Grasmere Mortgages (one), Mars Capital (one), and Engage Credit (one).

Interviews were audio-recorded with participants' consent, lasted between 43 min and 1 h and 45 min, and organised around a range of thematic headings: biographies; past and current mortgage conditions; perceptions and awareness of credit scoring; their impact; and their experiences as mortgage prisoners. Interviews were subsequently transcribed verbatim and coded using the qualitative data analysis software package, Atlas.ti. The analysis deployed descriptive (Saldaña, 2015) and process (Corbin & Strauss, 2015) coding approaches to develop a thematic structure (Bryman, 2012) based on the interview topics. Participants have been given pseudonyms, with key dates, events and locations altered to protect their anonymity.

Key findings

Locked in and locked out: the dominance of prisoners' credit score situations

When reflecting on the purchase of the homes that would later imprison them, most participants espoused the idealism of homeownership. Tookie, a 58-year-old black male who works as a security guard, spoke of being 'thrilled' when purchasing his first, and only, property in 2006 for £125,000. When I asked about the prospective benefits of owning a home, Tookie reflected the words of many when responding, 'Yeah, that I've managed to work for X number of years and pay off, and I don't have to worry. I grew up in a council home and I just wanted something different: a house with a garage'. In this sense, participants reflected Adkins et al. (2019): the desire to own a home is not simply due to financial considerations but reflects cultural influences, family considerations and a need for security. However, although all mortgage prisoners in my sample are *still* homeowners, their perception is not reflective of this, but dominated by their credit score situation. I set this out predominantly via two participants whose housing circumstances are now quite different.

Windie, a 60-year-old white female, is now living in rented accommodation; she had to 'get out' of her £525,000 mortgaged home after finally succumbing to repossession proceedings due to the cumulative impact of her prisoner status. Reflecting, she feels like 'a fool for somehow been sucked in from the beginning to a mortgage that I thought I could afford on paper, but in reality, went seriously, seriously wrong … it has screwed my life up for 20 years'. Diane, a 63-year-old white woman's housing situation is now markedly different to Windie. She purchased a three-bedroom flat in 2001 for £285,000: which partly because of its proximity to a prime city, has since undergone rapid price appreciation to £585,000. However, Diane's reflections are almost identical to Windie's:

> You make a decision … and you think that's the best one. And when you're younger you don't always think about … what's going to happen when you're in your 60s. Really the main screw-up on my finances has always been this mortgage. That's been the bane of my life and had huge mental and physical effects on me and continues to do so.

What connects Windie and Diane's accounts are twofold. First, both took out interest-only mortgages with Northern Rock prior to the GFC. Although Diane has benefited from rising house prices and a subsequent reduction in her LTV, her perception, like Windie's, is fundamentally shaped by the fixity of her mortgage: which has remained at £285,000 for 23 years. Both are gripped by decisions in taking out the mortgages in the first place, which cascaded into life-altering circumstances that seriously affected their mental health. Their experiences mimic the profound psychological impact on most participants [mirroring Scanlon et al.'s (2020, 2023) findings]. For some, this involved a profound distrust of financial institutions and even family members and friends; for a few, suicidal ideation, or agoraphobia.

All participants who took out interest-only mortgages did not anticipate remaining on them: certainly not for 16 or more years. On several occasions, participants reflected the same narrative: they approached a broker to seek advice and were 'sold' interest-only mortgages as a stopgap while navigating significant life events, like starting a family or a new job, and could revisit the terms in two- or three-years' time. That option never arose as they became caught in the cycle of factors triggered by the GFC (Browning, 2023), hindering their capacity to remortgage. These 'mistakes' are not participants' own, but outcomes born from regulatory changes *unforeseeable* at time of origination.

Although the FCA requires inactive firms to pass management of mortgage books to regulated administrators and provide some protection for customers, interest rates are not covered (Browning, 2023). Scanlon et al. (2023, p. 4) suggests this may be a contributing factor in owners of inactive firms purchasing these mortgages, as it allows them to 'maximise margins by raising interest rates and charges, potentially to levels unaffordable to borrowers'. In the period between the GFC and COVID-19 crises, around three-fifths were paying interest rates much higher than the 3.35% illustrative rate used by the FCA (2021) to determine if those on closed book mortgages might benefit from switching. To meet inflated payments, around a fifth stopped paying into pensions or took on additional part-time work: like Sadie, the youngest in the sample at 38, who worked part-time at weekends and held a full-time role in the civil service. This led to much time lost with children and families, and destabilised security in retirement. These stolen moments and futures explain why Tookie said 'after what I've experienced … I wouldn't go into home ownership'. Around three-quarters managed to maintain payments; but the rest fell into arrears with mortgage and other debts, lowering their credit score and magnifying the impact of higher interest rates.

The recent rise in the Bank of England base rate further exacerbated this. Given nearly all participants, and the enormous majority (96%) of those on closed book loans, are on variable rates, they were immediately exposed to rate hikes: from 0.1% in December 2021 to 5.25% by August 2023. Thus, while seven were now paying interest rates of between 4 and 6%, seven were paying between 6 and 8% and 14 were paying between 8 and 10%, with the highest recorded rate at 9.75%. Consequently, payments escalated rapidly, leading some previously managing to fall into arrears. For Diane, her latest rise to 9.49% doubled her mortgage payment from £890 in December 2022 to £1,800 in July 2023, meaning arrears were inevitable, as was the impact: 'You can imagine what that did to my credit rating'. While the FCA would exclude these participants from their definition of mortgage prisoners due to these arrears, my participants know all too well what Helen, a 56-year-old white woman, meant: 'Never being able to escape from that original loan has had a snowball effect on everything … It has major life changing impacts'.

The second connection Windie and Diane share is both are in the same classification situation: classified by Experian as the 'very poor' credit score band. For them, and over half the participants, lowly credit score situations have locked them onto interest-only mortgages. Even among those who have experienced price appreciation, their experience of homeownership is reified through their credit market situation: which not only dominates their circumstances, but also shapes their self-perceptions and strategies of action.

'It is haunting me': credit score hyperawareness and internalisation of embedded valuation

Given Ziewitz and Singh (2021) suggest awareness of credit scores is likely to culminate from negative events, it is no surprise that conversations with mortgage prisoners are littered with events triggering a mounting awareness of their credit score classification situation. Yet the widespread impacts and long-term repercussions of their status invariably foster a different kind of awareness. For Arifa, a 53-year-old British Asian woman, this involved recognition that 'my credit score has been deep, deep, deep in the trenches for as long as I can remember'. For Windie, when asked whether her credit score is looming in the background, this invoked a stark response: 'Well it is haunting me. I am 60 now, I'll be 67 when I retire; I am never going to recover this in my lifetime, I can't, can I?' Words such as 'trenches' and 'haunting' denote all too powerfully how mortgage prisoners' sense-making has culminated in a hyperawareness of credit scores and their impact over many years.

Stemming from a crisis 16 years ago, the predicament has invariably loomed large over much of their working lives, which the majority are in the final years of. Adkins et al. (2019) recognise that homeowners with a mortgage are spending longer paying these off, due considerably to the higher amounts of debt needed to purchase them. However, for mortgage prisoners, the end of their interest-only term signals the imminent requirement to clear the capital in full or face repossession. On average, interest-only mortgage prisoners owe £127,000 (FCA, 2021). As they draw closer to the term end, their age compounds their credit score situation, heightening awareness of its effects. As Tookie reflects, 'my age goes against me; no one's going to give me a mortgage'.

The FCA (2021, 2023) acknowledge that lenders' practices around interest-only mortgages prior to the GFC were problematic because they did not require borrowers to have credible capital repayment plans. Rules have since been tightened. Yet despite Windie citing these systemic factors, she still viewed her low credit score as a personal 'failure', leaving her feeling shame 'more heavy than you can ever imagine'. Lisa, a 58-year-old white woman, has similar reflections. She grew up on a council estate and purchased her first home at 19 through the Right to Buy. After a period working away, she sold her ex-council house in 2005 and bought her third property for £185,000 with a £25,000 deposit and repayment mortgage.

However, after two consecutive redundancies around the time of the GFC, Lisa decided to move to interest-only 'for a year or two', but her mortgage was sold to a closed book, inactive firm and she 'never managed to get back on track'. On returning to work, the salary was a third of her previous job, and she struggled to keep on top of mortgage and unsecured debt payments. Lisa tried on several occasions to remortgage because she desperately wanted to move for the sake of her son's mental health. Her inability to do so was 'absolutely down' to her credit score:

Lisa:	I think it's something that I feel really deeply about, because I feel that it controls me.
Sparkes:	What do you mean by you think it controls you?
Lisa:	My washing machine broke at Christmas. And you know I work full time and I couldn't even get credit for a 225-pound washing machine. And that is absolutely soul-destroying at 58 years of age. I worked really hard, and I can't even get a washing machine on credit and that does make you feel like a failure.

The controlling impact of her credit score extended beyond her incapacity to move homes to an inability to maintain her current home to even a basic level of subsistence. Lisa's credit score is felt deeply as a 'soul-destroying' experience because the barriers it places upon her structure her lived reality. Moreover, despite signifying that her credit score does not align with her work status and productive contribution to society over many years, her word 'failure' suggests she struggles to disassociate from understanding herself through its moralistic gaze (Kear, 2017; Sparkes, 2020; Spooner, 2019). Participants thus laid bare the interweaving of escalating circumstances, hyperawareness of their credit score situation and internalisation of its embedded moralistic valuation.

'I feel now it's hopeless': resignation and defeat at impermeable credit score situations

Most participants were all too aware that a missed mortgage payment will trigger a downward reclassification of their credit score; Helen explained it as 'an axe hanging over you'. When default happened, it led Windie to reflect: 'I felt exasperated. I felt trapped. I felt claustrophobic. I felt smothered. I felt foolish'. Kear (2017, p. 63) found many of his marginalised participants were 'self-consciously, reflexively and deliberately engaging with financial behaviours' to align with underlying calculations in an obligatory 'credit scoring game'. Nearly all participants describe a similarly self-conscious, reflexive desire to improve their credit score:

> Lisa: Yeah, absolutely. Particularly the last few years because I really did need to move away from the area. And it was my credit score that stopped me. And people are full of advice of, 'this is what you should be doing'. But I was already doing those things. But it takes time to build up a credit score. I look at my credit score every month now on two different websites; I'm very aware of why points have gone up or points have gone down. I get all the emails, click on it, see what's happened. This month it's gone down points.
> Sparkes: What was that like for you to see the score going down?
> Lisa: Horrible because it's always there.

Despite hyperawareness and attentiveness to the calculating principles of her credit score, engaging in behaviour that not only aligned with it but which she was assured would improve it, the score went in the opposite direction. She could not switch off from this; the calculating parameters both hindered her material choices and were part of her everyday routines.

For around a fifth, their score has led to a more profound sense of hopelessness, abjection, and defeat. Perhaps the best illustration of this came from Diane, who had already described her mortgage as the 'bane of her life'. I asked how she felt about her credit score over this period and its impact:

> Diane: Well, I realised that it would stop me from being able to get a better mortgage … My whole focus of my credit file was to repair any damage that had been caused, so that I could remortgage.
> Sparkes: So, when you look at that number, what do you see?
> Diane: Well, I won't look at it now. Because I feel now it's hopeless. I have no way of getting out of this. I have little energy to fight it … But the credit rating is the one thing [stopping a remortgage] … because I have the letter as a mortgage prisoner, and I fulfil the relaxed criteria. So, if I had my daughter's credit score of 900, I would have been one of those few thousand [who remortgaged]. So that's why I feel very strongly about that credit rating, but now I feel defeated by it. My credit score has defeated me.

When Diane notes 'I have the letter as a mortgage prisoner' and could 'have been one of those few thousand', she's referring to the modified affordability assessment implemented by the FCA in 2019. Despite fitting this criteria, her acknowledgement that 'I have no way of getting out of this' is recognition that her credit score did not meet lenders' risk appetite and is the sole factor dictating her prisoner status. While Kear's (2017) participants with low scores were willing to 'play the credit scoring game' to influence their data and improve their representation, Diane, who spent the first waking moments of each day thinking about her situation instead of her serious health condition, was now beyond this: defeated by the 'game'.

According to Ziewitz and Singh (2021, p. 3), 'scoring systems operate as self-reinforcing feedback loops that are locking people into particular segments of society'. Mortgage prisoners are some of the starkest examples of this. As Tookie sums up: 'I can't move forward, I can't go and say, "Let me swap my mortgage to a better deal". I'm just stuck with this thing. The credit scores go against me. Everything goes against me. I'm not the only one'. Tookie, Lisa, and Diane all confirm that for many mortgage prisoners, their credit score situation appears impermeable: compounded by awareness of the extreme forms of extraction they endure, and that closed book, inactive firms 'don't want me to be better … because they know they're gonna [*sic*] collect one day' (Tookie).

Nearly all participants had considered alternative ways to escape their mortgage, but there are reasons this was not feasible. First, four participants with part-and-part mortgages would incur additional financial costs if the secured and unsecured elements were decoupled (for Tookie, a 17% increase on his unsecured loan), emphasising Scanlon et al.'s (2023) recommendation for interest-free equity loans to clear these. Second, broader financial circumstances: some considered selling and re-purchasing a lower value property, but the same issues impacting mortgage prisoners' capacity to remortgage – affordability, regulatory changes, age and term left before retirement, adverse credit file – act as barriers and create uncertainty. Third, limited social housing stock with long waiting lists; those with debt are moved down the priority list. Helen has an application pending; but fears a £6,000 debt places her in the lowest priority band.

Fourth, a similar lack of available private rental accommodation, with access influenced by landlord credit checks which will be prohibitive for some participants. There is limited security of tenure and rents can equal mortgage payments, meaning many participants' immediate security and financial management are bolstered by remaining in their mortgaged home. Fifth, participants highlight a decades long struggle, often at significant cost, to remain in their homes; many do not want to 'lose … everything I have built' (Tookie) and their 'independence' (Helen).

Until recently, many participants believed they were entirely alone in their experiences. However, their accounts illustrate an increasing recognition of a shared 'situation', enhanced by the UK mortgage prisoners Facebook group and growing attention from government, regulators, and the media. Participants have thus become hostages to hope that regulatory changes will ultimately be enacted, enabling them to keep their homes.

Discussion: mortgage prisoner 'situations' and their class implications

Mortgage prisoners' credit score situation dominates their experience of homeownership and the exploitation it generates. Interview data revealed a unique 'self-reinforcing feedback loop' (Ziewitz & Singh, 2021, p. 3): excessive interest rates generated by owners of their closed book mortgages inflate repayments, leading some to arrears and downward reclassification on classificatory credit scoring systems. The consequence is an extreme form of 'economic predation … at the low end of the credit-scoring scale' (Fourcade & Healy, 2017, p. 39).

The cumulative impact of the negative events associated with participants' prisoner situation fostered a hyperawareness of their credit score situation. This corroborates Ziewitz and Singh (2021): individuals are likely to become aware they are being scored during negative events. Yet despite recognising the systemic nature of events influencing their lowly classification in the 'very poor' or 'poor' bands, some participants internalised these embedded moral valuations as symptomatic of their own 'decisions' and 'failure': lending weight to studies drawing attention to how credit scores simultaneously disguise structural conditions while pathologising individuals for their financial circumstances (Kear, 2017; Sparkes, 2020; Spooner, 2019).

Despite substantial and concerted attempts to monitor and improve their credit scores and 'play the credit scoring game' (Kear, 2017), over half found it impossible to 'erase the blemishes that feed' their score (Foohey & Greene, 2022, p. 101), leading some to feel 'defeat' at their seeming impermeability and 'resignation' at their fate. These responses to classificatory credit scoring systems offer significant insight for the growing body of research on their affective dimensions (Jürgenmeyer & Kreen, 2016; Kear, 2017; Ziewitz & Singh, 2021). My findings are consistent with and contribute to the extensive body of literature highlighting the impact of credit score classifications situations on life chances (Foohey & Greene, 2022; Fourcade & Healy, 2013, 2017; Rona-Tas, 2017; Sparkes, 2020). Although I have given hints to the class implications in the discussion thus far, I seek to further theorise the findings in dialogue with prevailing critical Marxists and asset-based approaches to the stratifying dynamics of debt-leveraged housing.

The critical literature contends that as households have become increasingly involved in financial circuits as debtors and asset holders, secondary forms of exploitation are becoming prominent (Dos Santos, 2009; Lapavitsas, 2011; Lazzarato, 2011; Soederberg, 2013). Although there is recognition that those at the low end of (credit) markets experience more aggressive forms of extraction (Soederberg, 2013), those with housing assets are also subjected to comparable processes (Dos Santos, 2009). Marxist literature therefore asserts a *bifurcation* between creditors and debtors, viewed as the foundation of the class relation. However, according to Adkins et al. (2019), the Marxist approach does not differentiate between conditions of indebtedness and asset holding. Given that for some, the asset(s) on which debt is leveraged rise in value by a higher degree than the interest charged, the approach sidesteps the stratifying effects of asset ownership in wealth and life chances (Adkins et al., 2019, 2020). The economic predation experienced by mortgage prisoners implies scales of exploitation amongst homeowners with a mortgage, mediated by credit score classification situations.

This has implications for asset-based accounts which also advocate for the reformulation of class, although this approach asserts that the *differentiation* of people's relationship to housing as an asset defines class positions and life chances (Adkins et al., 2019, 2020; Forrest & Hirayama, 2015, 2018). Scholars agree that emergent divisions in housing tenures, patterns of ownership of residential property, and income flows from it are vital in understanding new forms of asset-based stratification, operationalised into distinctive class typologies involving investors, asset and non-asset owners (Adkins et al., 2019; Forrest & Hirayama, 2018).

Adkins et al. (2019) generate a five-point asset-based typology that distinguishes between investors, outright homeowners, homeowners with a mortgage, renters and the homeless. Forrest and Hirayama (2018) propose three groups encompassing real estate accumulators, housing wealth dissipaters, and the propertyless. However, they depart in conceptualised differences in the circumstances of mortgaged homeowners. Whereas Adkins et al. (2019) view this class as a homogeneous entity, Forrest and Hirayama (2018) astutely recognise this group's increasing differentiation in location, demography and socio-economic profile. They argue that while those with higher incomes generally own one or more houses in prime cities with higher property values, there are also marginal owners: 'dissipating families' (p. 257), more likely to own properties in poor conditions and with low and/or stagnant property values due to poorer amenities, location, or neighbourhood status. This more nuanced conceptualisation is partly explained by Adkins et al.'s (2019, 2020) narrow focus on Sydney, and Forrest and Hirayama's (2018) broader one on the US, UK, Australia, and Japan.

While mortgage prisoners would be incorporated in the 'homeowners with a mortgage' class in Adkins et al.'s typology, or perhaps more fittingly as 'housing wealth dissipaters' in Forrest and Hirayama's, the dominance of their credit score situation in shaping their experience of homeownership, qualify Scanlon et al.'s (2023, p. 5) observation that they are a unique 'class of existing borrowers' with distinct circumstances. This adds to evidence of profound, expanding disparities within the homeowners with a mortgage 'class' (Aalbers, 2017; Arundel & Ronald, 2021; Scanlon & Elsinga, 2014), whose everyday experiences cannot easily be generalised into a homogenous class on a three- or five-point typology. The mortgage prisoner case is a relatively distinct problem in the UK: an unintended consequence of a series of regulatory measures that aimed to mitigate risk, unlikely to be reproduced. Resultantly, mortgage prisoners should be recognised as a distinct sub-class of the homeowners with a mortgage class in any UK asset-based typology, so the unique consequences of their situation can be examined.

Critical Marxist and asset-based accounts make important contributions to explaining the class implications of the rise of debt-leveraged asset ownership: the former by highlighting secondary forms of exploitation tied to debt; the latter by offering a more nuanced appreciation of the capacity of debt to facilitate wealth accumulation, not just the exploitation of debtors. Mortgage prisoner accounts reveal their credit score is binding them on a journey to repossession, reclassification as propertyless renters or worse, homeless (Adkins et al., 2019). Thus, credit score classification situations are not only crucial in gaining access to enough debt to purchase a housing asset (Foohey & Greene, 2022), but also shape mortgagors' ongoing capacity to re-finance existing loans on favourable terms: essential to maintaining their status as homeowners and the degrees of cumulative wealth and/or exploitation tied within it. Examining the mortgage prisoners' case enhances critical Marxist and asset-based accounts by highlighting the complexity of financialised housing systems and the different dimensions along which risk is structured – and how it impacts stratification and life chances.

Conclusion

This study's results help understandings of the mediating role classificatory credit scoring systems play in shaping individuals' (re)access to debt and housing, and how the values and norms they establish are experienced by those exposed to them. They indicate that awareness and experience of credit scoring systems are tied to the circumstances the score seeks to represent (Ziewitz & Singh, 2021). The results provide significant evidence of widespread, long-term repercussions on a unique 'class of existing borrowers' (Scanlon et al., 2023, p. 5) created by the UK government's decision to sell mortgages to closed book, inactive firms. Identification of a self-reinforcing feedback loop indicates the FCA's (2021) definition of mortgage prisoners, which discounts those in arrears, overlooks the very conditions contributing to this. All borrowers within the inactive firm closed book population should be regarded as mortgage prisoners, in line with Scanlon et al.'s (2020, 2023) definition.

The definition of mortgage prisoners *matters*: it influences whether 'blame' is directed towards those in arrears or the consequences of regulatory measures. The FCA's definition might explain why there is little sign it, or the UK government, are taking necessary steps to address the issue. The consequences of this policy stasis are exacerbated by the year; more of those on closed book loans are falling into arrears due to immediate exposure to interest rate hikes, and all draw closer to the end of their mortgage term and the mounting prospect of repossession, and a future as propertyless renters or worse, homeless. In their 2023 report, Scanlon et al. proposed solutions (free advice, government equity loans, and a fallback government guarantee for new mortgages) which placed the onus on government to redress the problems stemming from the GFC and regulatory measures subsequently adopted. The findings here reiterate that the obligation remains on the UK government to correct a problem of its own making.

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