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By email: FCAconsumercredit@fca.org.uk

Dear Sir / Madam,

Financial Services Consumer Panel response to Draft Guidance: Mortgages and Coronavirus: Additional Guidance for Firms

With the temporary guidance on mortgages coming to an end 31 October, the Financial Services Consumer Panel welcomes the FCA issuing draft guidance to firms. There will be consumers in financial difficulty beyond the 31 October deadline and it is essential that the FCA acts to help them cope in these extraordinary circumstances.

In responding to the Call for Input, the Panel highlighted that the fundamental outcome is protecting consumers from extreme hardship and poor borrowing decisions and that a wide range of options are required. This includes thinking beyond the conventional forbearance toolkit. The Panel firmly maintains this position.

The Panel strongly supports the FCA emphasising the expectation for firms to be flexible and employ a full range of short and long-term forbearance measures. In addition, that firms must take account of individuals circumstances, as opposed to applying a 'one size fits all' approach.

It is essential that through assertive supervision, the FCA proactively monitors firm behaviour, to ensure they adhere to the guidance and that customers are receiving fair treatment and a consistent level of support.

There is significant concern that several support measures, including both the mortgage and consumer credit payment deferrals, as well as the Coronavirus Job Retention Scheme, are due to end on 31 October, creating a financial cliff edge. The Self-Employment Income Support Scheme is also scheduled to close on 19 October.

Support which has acted as a lifeline to consumers may no longer be available; and customers in already vulnerable situations are likely to be hardest hit. Citizens Advice estimates that while 17% of the working population face redundancy, the risk is much higher for people with a disability (27%), people with caring responsibilities for children or vulnerable adults (39%) and parents of under-18s (31%).¹

The way in which both the public-health crisis and economic downturn will evolve is uncertain. In future, this may create additional temporary challenges to consumers, as well as those which are more permanent.

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[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/An%20unequal%20crisis%20-%20final%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/An%20unequal%20crisis%20-%20final%20(1).pdf)

It is therefore important the FCA frequently reviews the action it has taken and collaborates with other regulators and the Government to ensure there is a co-ordinated approach across different measures.

The Panel welcomes several aspects of the draft guidance, including:

- **Firms should proactively engage with consumers through a variety of channels:** Firms must proactively engage with customers, including through offline channels. The implications of a decision, including on credit files, must be communicated transparently.
- **Identifying consumers that need debt help and money advice:** It is important that consumers make informed decisions. It is therefore essential, as the draft guidance states, that firms identify customers that need more information and point them towards free tools and not-for-profit debt advice bodies. In addition, the FCA should encourage the use of a "lite" version of the Standard Financial Statement, as an effective solution for consumers in shorter-term financial difficulty, to gain timely debt advice or money guidance.
- **Firms retaining information:** To ensure the FCA can effectively supervise adherence to the guidance, in line with what the FCA has said, firms must keep records of the support offered to customers and information presented to them.

The panel also makes the following observations:

Repossessions

- **The end of payment deferrals being seen as a green light for lenders to repossess homes:** That a number of measures are coming to an end on 31 October must not provide firms with the legitimacy to undertake a wave of home repossessions. This must be effectively mitigated.
- **Relief offered to those directly affected by coronavirus:** Firms should be encouraged to offer payment holidays outside of the standard forbearance to customers who are isolating (or in a house where other are doing so) due to coronavirus. It is essential that these customers receive the necessary support.
- **Policy conversations about transferring homes :** We are aware of discussions about homes that could be repossessed instead being transferred to local government or housing association ownership and would welcome such initiatives.

Debt advice

- **Extending the *breathing space*² period:** Lenders should be encouraged to provide additional breathing space (which can include stopping fees, interest and capital payments and even postponing default, in addition to pausing collections activity) to customers, including those going into arrears. Given the impending volumes likely to hit debt advice services, customers need to be given sufficient time to access the right advice and make informed decisions. This remains a concern.

Vulnerability

- **Difficulties in identifying vulnerable consumers:** The Panel believes it would be wrong to assume that all firms have the data (and the capacity to use that data) to effectively and consistently identify customers who are in vulnerable situations and may require additional support. The FCA should be proactive in

² For clarity, here we are referring to the forbearance presumption currently provided, not the new Government protection due to come in next year.

identifying such firms and ensure their customers are treated fairly and appropriately.

Switching

- **Fair treatment for borrowers coming to an end of fixed-term products:** The Panel encourages the FCA to ensure that mortgage lenders continue to offer good deals to customers who are about to roll off an existing product, but who are unable to switch lender at the current time due to extraordinary circumstances.

Credit files

- **Recording successful progress:** Successful progress with a repayment arrangement on a customer's credit file should be included alongside information about any defaults or impairments.

The Panel notes that while firms are already expected to treat vulnerable customers fairly and appropriately, the FCA should not rely on firms to "do the right thing." Based on past experience, including some recent examples as the pandemic has unfolded, the Panel is not optimistic that all firms will behave appropriately.

To reiterate, assertive supervision will be essential. It is important that the FCA's Supervision teams are adequately resourced and tasked with ensuring that firms are adhering to the guidance and that all customers are receiving fair treatment and consistent levels of support.

The Panel expects the Senior Managers and Certification Regime to be an important tool in the FCA's supervision activity in this area.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel