Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: FCAconsumercredit@fca.org.uk

Dear Sir / Madam

Financial Services Consumer Panel response to mortgages and coronavirus: further updated guidance for firms

The Panel welcomes the FCA's prompt action to provide further guidance for firms to support mortgage consumers following the announcement of a second national lockdown in England. Payment deferrals proved to be an important lifeline for mortgage consumers earlier in the year, with 2.5 million people making use of the scheme[1]. As consumers once again face losing their job or seeing a reduction in their household income – some of whom will not have financially recovered from the first national lockdown – this guidance will provide vital support.

We would like to take this opportunity to reiterate some of the points made in our response to the initial extension of payment deferrals announced in May[2] and our response to the FCA's September guidance[3] regarding tailored support for consumers. In particular, we wish to restate that the fundamental outcome is protecting consumers from extreme financial hardship and poor borrowing decisions.

We also continue to support the following aspects of the FCA's approach which we are pleased to see included in the latest guidance:

- The clear message that people should resume payments (wholly or in part) if they are able to.
- The clear message that a mortgage payment deferral may incur additional cost and be taken into account in future lending decisions.
- The underlying philosophy that firms should discuss options with customers, setting out clearly the implications of different decisions.
- The onus being placed on firms to contact customers in good time before the end of a payment deferral and in time to discuss their individual situation and any ongoing support they may require.
- The message that firms should proactively seek to identify consumers who may need debt advice or money guidance and signpost to free tools and not-for-profit debt advice services. We particularly welcome the reminder for firms to take into

[1] https://www.ukfinance.org.uk/covid-19-press-releases/lenders-continue-to-support-customers-through-covid-19
[2] https://www.fca.org.uk/news/press-releases/fca-support-customers-struggling-mortgage-coronavirus
[3] https://www.fca.org.uk/publications/finalised-guidance/mortgages-coronavirus-additional-guidance-firms-finalised-guidance

account the full range of delivery channels when signposting consumers. This will be especially important as demand for debt advice increases.

In addition, we make the following points regarding the latest guidance:

- **Limits on the number of payment deferrals** - Under the FCA's proposed guidance, no borrower will receive more than two payment deferrals of up to six months in total, even where one or both of those deferrals were shorter than three months. However, we believe that the focus should be on individual consumer circumstances, rather than generic limits.
  Some consumers may need further deferrals and it is not clear why those who have taken shorter deferrals should lose out compared to those who took a full 3-month deferral. Further, some consumers may have taken an initial 3-month deferral as soon as these measures were announced in March, even though they did not 'need' the deferral at that time. These consumers may now be in a financial position where a further 6-month deferral period would be the right thing, but they would be barred from doing so under this guidance. Similarly, consumers may have applied for a deferral before the 31 October deadline in fear of losing out on the ability to do so after this date. These consumers will now have used one of their deferrals and so will only be eligible for one more, whereas those who have waited a few days will still have the option of taking two deferrals. The arbitrary limit on the number of deferrals may therefore result in inconsistent and unfair consumer outcomes.
- **Limit on the total length of deferrals and time they are available –** Under the FCA's proposed guidance, payment deferrals are limited to six months in total and cannot be applied for after 31 January 2021. In our view, this does not allow for the flexibility required during what is an ever-evolving pandemic. The future remains uncertain and is likely to involve significant regional and national variation, for example if England returns to a tiered system of restrictions and the devolved nations continue to take differing approaches. Many consumers will have joint mortgages, which introduces additional volatility as each borrower could be furloughed or lose their job at different times. Consumers will continue to experience financial difficulty and need support, but the form of support required, when it is needed and for how long, will differ. It is impossible to say when demand for payment deferrals will end and so the FCA should not impose a time limit on their availability or total duration.
- **Repossessions** - We welcome the FCA's ban on repossessions until 31 January 2021. This provides important certainty for homeowners during what will be a challenging and uncertain period. However, it does create the risk of a wave of repossessions after 31 January 2021, which must be mitigated.
- **Vulnerability –** the FCA's guidance does not specifically mention consumers in vulnerable situations. The FCA should remind firms to proactively seek to identify consumers in vulnerable situations to assess their need for additional support measures. This includes consumers who are newly vulnerable as a result of the new restrictions, as well as those with existing or exacerbated vulnerabilities. The FCA should encourage firms to apply its latest guidance consultation on vulnerable customers.
- **Application of the guidance –** it appears that this guidance was triggered by the announcement of a second national lockdown in England. The FCA should explicitly state that this guidance applies to consumers across the UK and firms cannot deny payment deferrals to consumers in areas such as Wales which are due to come out of lockdown very soon. The FCA should also be transparent about what criteria it uses when deciding whether and how to intervene. For consumers in areas which were already under lockdown, it may seem unfair that further opportunities for payment deferrals are only now being announced.

As this guidance comes in to force, it is essential that the FCA uses assertive supervision to proactively monitor firm behaviour to ensure all customers are receiving fair treatment and a consistent level of support. UK Finance has helpfully been publishing data on the take up of payment deferrals, however, it would be useful to have more detail publicly available. For example, the latest data shows that over 75% of consumers who took a deferral have now resumed payments[4] but it we would like to know more about the 25% who have not been able to resume payments. This is especially important as Which? research found that between 4.8% and 6.8% of households defaulted on at least one mortgage, rent, loan, credit card or bill repayment in October, with an average estimate of 5.8%[5]. The FCA should also monitor how firms are handling increased levels of customer contact as a result of this guidance. The Which? research also showed that more than half (56%) of those who requested a payment deferral earlier in the year had difficulty doing so – with issues including long call wait times, and no responses to email or phone messages.

Yours sincerely,

Wanda Goldwag
Chair, Financial Services Consumer Panel

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[4] https://www.ukfinance.org.uk/covid-19-press-releases/lenders-continue-to-support-customers-through-covid-19

[5] https://press.which.co.uk/whichpressreleases/which-research-suggests-huge-jump-in-number-of-people-missing-card-and-loan-payments-as-financial-support-cut-back/