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By email: [MortgagePolicycorrespondence@fca.org.uk](mailto:MortgagePolicycorrespondence@fca.org.uk)

Dear Sir / Madam

**Financial Services Consumer Panel response to 'Mortgages and coronavirus: updated draft guidance for firms'**

The Financial Services Consumer Panel welcomes the FCA proposals which will extend support to customers who are struggling to pay their mortgage due to coronavirus (Covid-19). This decisive and proactive action is needed so mortgage-holders are better able to cope in these extraordinary circumstances.

Critically important as these proposals are, they cover just one part of consumers' financial commitments. The Panel looks forward to learning more about the FCA's plans for the extension or amendment of temporary relief offered to those with other credit products in due course. More broadly, consumers who are struggling financially due to the impact of Covid-19 may face affordability difficulties across a whole range of other areas (e.g. rent, council tax, benefit overpayments, utility bills etc). Unless a coherent approach to forbearance is adopted across all these areas, including how debts are collected and enforced, then this will undermine efforts to assist consumers in the financial services sector. It is imperative that the system overall supports sensible outcomes. While the Panel recognises that these issues are beyond the FCA's remit, it urges the FCA to make this point in discussions with Government and other regulators and specifically the Ministry of Housing, Communities and Local Government.

The Panel welcomes several aspects of the FCA guidance, in particular:

- The clear message that people should resume payments (wholly or in part) if they are able to, and that a mortgage payment holiday has a cost.
- The underlying philosophy that firms should discuss options with customers, setting out clearly the implications of different decisions.
- The onus placed on firms to contact customers in good time before the end of a payment holiday and in time to have a detailed conversation about their individual situation.
- Clarification that even though credit files should not be impacted by a mortgage payment holiday, future borrowing might still be affected. The Panel suggests that this information should feature prominently in the consumer-facing guidance.
- Confirmation that the updated guidance applies where an authorised person carries on activity in relation to an unregulated agreement.
- The requirement on firms to offer assistance where a customer resumes payments only to need further assistance in future. This is likely to be of great value in uncertain times, since it is not at all clear that things will return to normal as the emergency response to Covid-19 comes to an end and the next phase of the crisis

begins. The Panel recommends that the updated guidance makes explicit that when setting up arrangements for customers, firms should commit to a review at an appropriate point in time to ensure the most suitable assistance is offered.

The Panel also makes the following observations:

- **Clarity on prioritising payments** - the approach adopted by the FCA to avoid not overwhelming debt advice services is to direct customers who might be able to help themselves to sources of self-help. While this is understandable, the Panel recommends that the consumer guidance on dealing with financial difficulties could be stronger and provide clearer messages about the widely accepted priorities for managing payment obligations (i.e. to pay off priority debts first).
- **Need for sufficient resources** – in the immediate aftermath of Covid-19 and the subsequent lockdown, many consumers struggled to contact their lenders to arrange payment holidays. For the FCA's updated guidance to be implemented as intended, and to have the desired impact for consumers, firms must ensure they have sufficient resource available to deal with consumer contacts and via a number of channels.
- **Fair treatment of borrowers coming to end of fixed-term product** – the Panel encourages the FCA to ensure that mortgage lenders continue to offer good deals to existing 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 (e.g. they may be furloughed).

In addition, the Panel notes that the updated guidance largely relies 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 this will be the case across all firms. Given this, 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 consumers are receiving consistent levels of support. The FCA must have a clear picture of what good outcomes for consumers look like early on, with a view to prompt and regular assessment of the guidance overall.

Yours faithfully,

Wanda Goldwag  
Chair, Financial Services Consumer Panel