

FCA changes approach to COVID-19 mortgage guidance

AT A GLANCE

November 2020

What's new?

- The FCA finalised its [Mortgages and Coronavirus: Payment Deferral Guidance](#) and [Tailored Support Guidance](#) on 17 November 2020, to support users of mortgage products who continue to face financial difficulty as a result of the coronavirus (COVID-19) pandemic.
- The guidance comes into force on 20 November 2020.
- The FCA is changing its approach by splitting out payment deferral (holiday) guidance from the guidance relating to support, highlighting the importance of getting tailored support for customers right. Payment deferrals can be started for a customer up until 31 March 2021 (for up to six months). But all deferrals must end on 31 July 2021.

What does this mean?

- The guidance continues to apply where consumers are experiencing or reasonably expect to experience payment difficulties as a result of COVID-19. For customers already in financial difficulty, existing forbearance rules apply.
- Payment deferrals are extended until 31 July 2021, but firms cannot grant deferrals after 31 March 2021 unless a customer is already benefiting from one. Effectively, the only way to have a payment deferral in July is through an extension of one started before the end of March.
- Customers are still only allowed deferrals up to a total of six months, taken in tranches of up to three months. The FCA highlights that these do not have to be taken consecutively, and firms should offer flexible deferrals.
- Credit reporting remains the same - deferral periods should not be reported.
- As both pieces of guidance come into force on 20 November 2020, and previous guidance ceased on 31 October 2020, firms need to review the outcome received by customers who would now be eligible for a deferral under this guidance. If the outcome was not as favourable as could be given under this guidance, the customer must be contacted and offered additional support.
- For customers coming to the end of a payment holiday but unable to return to normal payments, the FCA tailored support guidance expects firms to assess personal circumstances, including overall indebtedness, and provide appropriate forbearance.
- Repossessions will be allowed to commence after 31 January 2021. But they should not be sought where the only arrears on an account were accrued from COVID-19-related payment holidays ('the deferral shortfall').

Contacts

Luke Nelson

Senior Manager

T: +44 (0) 7808 107043

E: luke.a.nelson@pwc.com

Tom Boydell

Manager

T: +44 (0) 7483 399332

E: tom.boydell@pwc.com



AT A GLANCE

November 2020

Contacts

Luke Nelson

Senior Manager

T: +44 (0) 7808 107043
E: luke.a.nelson@pwc.com

Tom Boydell

Manager

T: +44 (0) 7483 399332
E: tom.boydell@pwc.com

What do firms need to do?

- Firms must continue to ensure consumers are aware of the support available to them. This can be done via website messages, in-app notifications or other channels.
- Where support is given, communications and disclosures must give customers adequate information to understand the impact of a deferral i.e. that interest will continue to be charged and the effect on mortgage payments at the end of any holiday period.
- The FCA still expects firms to give fair warning to customers reaching the end of a payment deferral period. Firms should also consider safeguards to help customers at the end of a deferral period.
- Where a customer is deemed to have received a less favourable outcome due to falling 'between' FCA guidance periods, adverse credit data should be updated to reflect the new treatment strategy.
- When implementing the tailored support guidance, the FCA makes clear that firms need to take into account the specific needs and circumstances of each customer. A 'one size fits all' approach to forbearance and payment arrangements will not comply with this guidance.
- Firms should ensure the full range of short and long-term solutions available are understood by staff.
- Additional collections / forbearance staff, brought in to meet increased demand, must be adequately trained to meet the FCA's expectations. This includes having adequate knowledge and systems to signpost relevant debt advice and support.
- Firms need to clearly identify and separate shortfall amounts as a result of payment deferrals ('the deferral shortfall') to reflect the unique circumstances in which they accrued. Depending on system capabilities, this may require raising awareness of specific flags and case notes.

Next steps

The Payment Deferral Guidance comes into force on 20 November 2020 and will remain in force until 31 July 2021, unless otherwise revoked or modified. The Tailored Support Guidance comes into force on 20 November 2020 and will be in force indefinitely.



www.pwc.co.uk/regdevelopments

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2020 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.