Financial Services Regulatory Insights

FCA COVID-19 mortgage guidance - updated

AT A GLANCE

September 2020

What's new?

- The FCA finalised additional COVID-19 mortgage guidance on 14 September 2020 to support users of mortgage products who are facing financial difficulty as a result of the coronavirus (COVID-19) pandemic.
- The guidance comes into force on 16 September 2020.
- Under the final guidance, the FCA brings the ability for customers to take COVID-19-related payment holidays to a close, with consumers unable to take holidays beyond 31 January 2021. It also shares FCA expectations on further forbearance measures, credit reporting, repossessions and the signposting of debt support.

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 holidays will come to a close, with consumers unable to have holidays (under temporary guidance) that stretch beyond 31 January 2021. If a customer has already taken two payment holidays, the FCA still expects firms to apply other forbearance measures.
- For customers coming to the end of a payment holiday but unable to return to normal payments, the FCA expects firms to assess personal circumstances, including overall indebtedness, and provide appropriate forbearance.
- Payment holidays taken under the guidance should continue to not be treated as 'payment shortfalls'. This means arrears notifications for deferred payments during a holiday period are not required, nor should it be reported to Credit Reference Agencies (CRAs).
- But, firms are expected to report arrears (including deferred amounts) to CRAs as normal once a payment holiday comes to a close, where accrued amounts are not subject to a payment arrangement, or capitalised.
- Repossessions will be allowed to commence after 31 October 2020, but not where a customer is subject to a local lockdown, or is self-isolating at home. Nor are repossessions allowed where the only arrears on an account were accrued from COVID-19-related payment holidays.

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

September 2020

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 payment deferral i.e. that interest will or will not continue to be charged and the potential effect on mortgage payments at the end of any holiday period.
- The FCA 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, in the event of a sudden increase in their minimum payments.
- When implementing the 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 therefore review policies and procedures as a matter of urgency to ensure tailored solutions are promoted.
- 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 include specific wording on the treatment of payment shortfalls arising from holidays in their arrears and repossession policies.

Next steps

The guidance comes into force on 16 September 2020. It will remain in force indefinitely, until varied or revoked. The FCA will keep existing guidance under close review, and may revise it if circumstances change significantly.

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