FINANCIAL CONDUCT AUTHORITY

# Call for input

# Ongoing support for consumers affected by coronavirus: mortgages and consumer credit

31 July 2020

# Contents

# 1 Summary

## Why are we issuing this call for input?

1.1 The effects of the coronavirus pandemic are profound. And these effects have been felt within every industry, impacting millions of consumers and businesses. As of 28 July, 9.5 million jobs had been furloughed under the Coronavirus Job Retention Scheme and there had been 2.7 million claims made under the Government's Self-Employment Income Support Scheme.

1.2 In the past months, we have intervened to support both consumers and businesses during this period of uncertainty.

1.3 This has included temporary guidance setting out how we expect firms to support mortgage and consumer credit customers who are facing temporary payment difficulties because of the exceptional circumstances arising out of coronavirus. This guidance set out our expectation that firms offer these customers payment deferrals and refrain from repossessing homes, vehicles and other goods.

1.4 The steps firms have taken under our temporary guidance have helped millions of consumers through the current crisis. Firms have provided over 1.8 million mortgage payment deferrals and over 1.6 million personal loan and credit card payment deferrals.

1.5 These measures supported our consumer protection objective by ensuring that firms gave consumers temporary support to help them bridge the crisis and get back on their feet. And we considered our market integrity and competition objectives, particularly the different impacts on firms of the current environment and our interventions.

1.6 In addition, our measures were designed to:

- support the wider social measures introduced by the Government, for example by ensuring people could safely self-isolate in their homes if they needed to.
- prevent unnecessary pressure on the debt advice sector, by ensuring consumers received timely support.
- help lenders do more to help their customers manage their financial situation.
- support firms by setting out clearly how we expected them to treat customers fairly on an unprecedented scale.

1.7 We recently confirmed that our payment deferral guidance would remain in effect and continue to provide temporary support until 31 October 2020. This means that consumers who have not yet had a payment deferral, or who need further support at the end of an initial payment deferral, can request a payment deferral of up to 3 months until that time.

1.8 But we know that many consumers who have benefitted from second payment deferrals under our temporary guidance will have payment deferrals that end from September onwards.

1.9 These consumers will have a range of needs and circumstances. Some will still be in temporary payment difficulty. And some will be in longer term difficulty. Our research shows that consumers with deferrals who do not expect to resume full repayments appear to be particularly vulnerable compared to those expecting to resume full repayments. We want to ensure that all consumers who need it get appropriate and sustainable support when their current temporary arrangements end.

1.10 We also want to gather early views to inform our decision of whether and under what circumstances any aspect of our current guidance should continue beyond 31 October and, if not, what, if anything, should take its place.

1.11 The purpose of this call for input is to:

- explore the support needed by consumers who have already benefitted from our temporary guidance but remain in difficulty
- seek views on a number of propositions that we consider should underpin this next phase of support
- understand the challenges firms might face, understand how they are planning to deliver good consumer outcomes and identify what further guidance they need
- seek early views on the factors that should inform our decision of whether to extend our guidance, or provide an alternative form of support, beyond 31 October

1.12 In Chapter 2, we seek views on what further support consumers who have already received temporary support (e.g. an initial and further payment deferral) under our guidance might need. This is to inform any urgent new guidance that may be needed in September.

1.13 In Chapter 3, we seek views on what further support consumers who continue to need temporary support beyond October 31 might need.

## Outcomes we are aiming for

1.14 Where consumers are unable to resume payments once their current temporary arrangements end, we would like to see the following outcomes:

- Consumers get appropriate forbearance that is in their interests. We expect firms to support them through a period of payment difficulties, including by considering their other debts and essential living costs.
- Consumers receive a consistent level of treatment and good outcomes, whoever their lender is.
- Firms have the systems and processes to provide their customers with the help they need. Staff are adequately trained and incentivised to deliver good customer outcomes.
- Firms recognise vulnerability and respond to vulnerable consumers' needs. Our Principles for Businesses require all the firms we regulate to treat their customers fairly, and we expect firms to exercise particular care when dealing with consumers in vulnerable circumstances.

- Consumers receive the support they need in managing their finances, including through self-help and money guidance, and from their lender, and are referred to debt advice if this meets their needs and circumstances.

1.15 These reflect the standards we always expect from firms. However, even in normal times, firms face challenges in delivering consistently good outcomes all of the time. And we recognise that in the current emergency with high volumes of consumers, including vulnerable consumers, in need of further support, the challenge is greater. Our aim is to be able to support firms to achieve these outcomes in these circumstances – potentially through further guidance.

## Next steps

1.16 The deadline for responses is **5pm Friday 7 August 2020**. You can email FCAconsumercredit@fca.org.uk

1.17 If responses to this call for input show that further guidance is needed we will publish draft guidance for comment to the following timetable.

- Mortgages – draft guidance published in late-August and final guidance published in early-September.
- Consumer credit - draft guidance published in mid-September and final guidance published in late-September.

1.18 We have used our ongoing engagement with consumer groups, firms, their trade bodies, the debt advice sector, the Government and other regulators throughout the current emergency to inform the content of this call for input and to develop and implement our temporary guidance. We will continue our engagement with these stakeholders through and beyond the period of the call for input.

1.19 We know the pressures that firms and other stakeholders have faced, including in responding to draft guidance in recent months. This call for input is intended to help reduce that pressure by getting early views and providing a framework for engagement.

# 2 Further support for mortgage and consumer credit customers

## Context

2.1 The steps firms have taken under our temporary guidance have helped millions of consumers through the current crisis. Firms have provided over 1.8 million mortgage payment deferrals and over 1.6 million personal loan and credit card payment deferrals. Take-up rates of deferrals on these products are around 20% for mortgages and between 3% and 13% for consumer credit (depending on the product and with variation across firms).

2.2 Based on early data and discussions with industry stakeholders, we estimate that the majority of borrowers can be expected to be able to resume repayments. But a significant minority will need further support. We want to ensure that borrowers get appropriate and sustainable support when their current temporary arrangements end.

2.3 These consumers will face a range of circumstances and have different levels of financial resilience. And the number of consumers who now show characteristics of vulnerability has increased. Our research shows that those who had applied for or taken a payment deferral considered themselves much more likely, in the next 6 months, to miss bills or other payments, cut back on essentials, take out new credit or contact their lender to ask for help.

2.4 Consumers who applied for a deferral were also more likely to have: borrowed on one credit line to make payments on another, borrowed from friends or family to make payments on another loan, or reduced their day to day expenditure.

2.5 Our Financial Lives 2020 survey has found that the following groups showing characteristics of vulnerability are more likely to have taken a payment deferral:

- those who had been made redundant or seen a decrease in household income
- those who had low financial resilience before lockdown or were overindebted.

2.6 These groups have been most impacted by the crisis, as well as private renters and those with ill-health.

2.7 We want views to better understand how firms expect to support those borrowers who have had temporary support under our guidance and who are still in payment difficulty, and what good practices for supporting these customers already exist. We also want to know how respondents consider we can ensure good outcomes including through further guidance and what, if any, regulatory or other barriers there are to firms delivering these outcomes.

## Propositions

2.8 We want views on the following propositions, which we consider should underpin the next phase of support for borrowers affected by circumstances related to coronavirus and who are still in payment difficulty.

**Proposition 1: Further payment deferrals will not necessarily be the right solution for many of those still in financial difficulty after 6 months**

2.9 Our initial guidance set out that firms should provide consumers who were facing, or expected to face temporary payment difficulty due to circumstances relating to coronavirus with a payment deferral of 3 months.

2.10 Between June and July, we updated our guidance. This made clear that, where consumers could not afford to restart full payments at the end of this initial deferral, firms should reduce payments to a level the consumer could afford, including providing a further full deferral where necessary.

2.11 We consider that further deferrals are unlikely to be the appropriate, solution for all consumers who have already benefitted from initial and further deferrals under our guidance and who require further support.

2.12 A deferral does not reduce a consumer's balance and interest can continue to accrue. A deferral is therefore likely to lead to either higher future monthly payments or a need to extend the term of a loan to keep those payments the same, albeit with higher overall costs. For those in longer-term difficulty, a payment deferral is not a permanent solution.

2.13 We consider that the appropriate time for firms to move beyond blanket deferrals is at the end of the customer's second deferral. However, we are also interested in the views of respondents on whether there is a case for a further payment deferral, in particular for borrowers with existing payment deferrals that are due to expire before 31 October 2020. This would ensure that these consumers' deferrals ended after the scheduled end of the Coronavirus Job Retention Scheme, when consumers would have more certainty. This may help lenders make a more informed assessment of a customer's circumstances.

**Proposition 2: Firms will need to focus on a broader range of sustainable forbearance options**

2.14 Under our current guidance, we have set out a presumption in favour of a payment deferral for those consumers in temporary payment difficulty. There may be circumstances where a further deferral is the right solution for a consumer who remains in financial difficulty. This could include where a consumer reasonably expects their reduction in income to be temporary and they are likely to be able to afford any resulting increase in future monthly payments or extension of the loan term.

2.15 However, in many cases borrowers with continued payment difficulties will require a longer-lasting form of support. The nature and extent of their difficulties will vary, and firms will need to provide a range of support to reflect this.

2.16 Our MCOB 13 and CONC 6 and 7 rules and guidance set out how we expect firms to treat customers in payment difficulty. Both MCOB and CONC set out a list of some of the forbearance options that might be appropriate. These include rescheduling, reducing or deferring payments of capital or interest, fees or charges. Where a customer is unable to get back on track, we require firms to treat customers fairly, including on the repossession of their home or other security.

2.17 Initial discussions with firms and wider stakeholders support our view that these rules provide the right framework to deliver appropriate solutions to customers who are coming off payment deferrals and unable to resume payments.

**Proposition 3: Firms will need to consider the challenges posed by dealing with a high volume of consumers who require further support**

2.18 Our rules require firms to show appropriate forbearance to customers in payment difficulty by considering each consumer's circumstances. However, this could be challenging for firms to do in accordance with their normal practices. This is because the overall numbers of consumers requiring support compared to normal may increase, or the task of providing that support may be more complex, as a result of:

- borrowers who were in arrears before coronavirus not having paid them off and still requiring further forbearance
- a proportion of those who benefitted from payment deferrals not yet being able to resume payments in full
- consumers' overall debt burden increasing during the last 6 months due to additional borrowing and/or as a result of payment deferrals

2.19 Firms may also face operational risks in dealing with higher volumes of consumers in a short space of time. Firms' staff are more likely to be working remotely, making it more difficult to train staff to consider and offer forbearance. Firm oversight and quality assurance may also be more difficult.

2.20 Firms have responded to the unprecedented challenge of supporting customers affected by circumstances relating to coronavirus by scaling up capacity. And our guidance was designed to support the timely provision by firms of temporary support. However, delivering consistently good outcomes in this environment will continue to be challenging.

**Proposition 4: Normal Credit Reference Agency (CRA) reporting should resume**

2.21 Our temporary guidance sets out that firms should not report a worsening status on credit files in respect of payment deferrals taken under that guidance. This is to help ensure that there is no long-term negative impact on credit files where consumers are able to get back on track at the end of a payment deferral.

2.22 However, this was a temporary measure and cannot continue indefinitely. Accurate credit reporting is essential to responsible lending and preventing individual over-indebtedness. And firms need to have confidence in the integrity of the credit reporting system to have the confidence to extend credit in future. We therefore consider that, where a consumer has had payment deferrals under our current guidance, further support or forbearance should be reported as normal on that consumer's credit file.

2.23 We want lenders to engage with their customers early to agree any necessary support where customers are unable to resume payments. But we think that any arrangements or missed payments that do occur should be reported.

**Q1: Do you agree with these propositions?**

**Q2: Do these propositions apply to both mortgages and unsecured credit?**

**Q3: Do you have views on the appropriateness of a further payment deferral linked to the end of the Government's Coronavirus Job Retention Scheme?**

## Potential areas for further guidance or rules

2.24 We want to understand whether respondents consider our current forbearance rules provide the right framework for the next phase of support. We also want to know what further guidance or rule changes respondents think are needed to help ensure good outcomes in the current environment in which firms are operating. And we want to understand if there are risks that may increase in the current environment and seek views on how they could be mitigated to ensure consumers get good outcomes.

2.25 In this section, we have set out a number of areas where we consider that we may need to provide further guidance, or modify our rules, to help deliver good outcomes or give further clarity. We would welcome views on these, and suggestions of other areas where guidance is needed.

### Supporting customers before they are in payment difficulty

2.26 MCOB 13 and CONC 7 only apply where a customer is in payment difficulty. For mortgages, this is where a customer is in payment shortfall (where a sum has fallen due under the contract but remains unpaid – which may be less than a month's payment). For consumer credit, this is where a customer is in arrears (a position similar to a mortgage payment shortfall) or in default. Our temporary guidance makes clear that, where a customer takes a payment deferral, we did not expect the deferred amounts to be regarded as a payment shortfall or arrears. Our guidance indicated certain circumstances where CONC 7 and MCOB 13 would still apply.

2.27 Where a customer is approaching the end of a payment deferral and is unable to resume payments, we expect firms to provide the appropriate support as soon as possible. Regardless of whether our rules currently apply, we do not want firms to wait for a customer to miss a payment after the end of a deferral period before they offer support.

2.28 To deliver this consistently we consider that it would be appropriate for firms to comply with all relevant aspects of MCOB 13 and 7 to help these customers whether or not they are formally in payment difficulty, to help them avoid missing a payment. We set out a similar expectation on High Cost Short Term Credit (HCSTC) firms in our temporary guidance (where payment deferrals were limited to 1 month).

2.29 For credit cards and other revolving credit, our earlier intervention rules in CONC 6 already require firms to use existing data they hold to see if customers are at risk of potential financial difficulties and to take appropriate actions.

**Q4: Are there benefits to extending the application of MCOB 13 and CONC 7 to customers who have benefitted from payment deferrals under our guidance but not yet missed a payment? Are there practical barriers for firms in doing so?**

**Understanding, recognising and responding to the needs of vulnerable consumers**

2.30 It is important that firms respond to the needs of vulnerable consumers during this crisis. A vulnerable consumer is somebody who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. In considering how they can treat consumers in vulnerable circumstances fairly, firms may find it helpful to refer to our Guidance Consultation Paper on the fair treatment of vulnerable customers (GC20/3) which was published on 29 July 2020.

Understanding vulnerability

2.31 We have identified 4 key drivers which may increase the risk of consumer vulnerability:

- **Health**: disabilities or illnesses that affect the ability to carry out day-to-day tasks
- **Life events**: major life events such as bereavement, job loss or relationship breakdown
- **Resilience**: low ability to withstand emotional or financial shocks
- **Capability**: low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such as literacy or digital skills

2.32 Our Financial Lives 2020 survey found that just under half (46%) of UK adults, aged 18 and over (24.1 million people), displayed one or more characteristics of vulnerability that fall under these four drivers. This research was carried out in the months before the pandemic.

2.33 Between the end of February and the end of June, our analysis shows that 1.5 million more adults, 3% of the adult population, now have characteristics of vulnerability. 5 million people have new characteristics of vulnerability since the national lockdown began, and 3.5 million people have ceased to have these characteristics. This means that while overall levels of vulnerability have changed by 3%, the percentage of adults experiencing a change in their position is much higher at 16%.

2.34 Firms should be aware that consumers in vulnerable circumstances may be significantly less able to represent their own interests, and the way that firms respond will increase or reduce the risk of harm. We want vulnerable consumers to experience outcomes that are as good as those for other consumers, and to receive consistently fair treatment across firms.

2.35 As set out in this call for input, we know that consumers who have taken deferrals and do not expect to resume full repayments appear to be particularly vulnerable compared to those expecting to resume full repayments. Failing to understand, recognise and respond to their needs can lead to harm or unfair treatment.

Recognising vulnerability

2.36 Our draft Guidance (published as part of GC20/3) on the fair treatment of vulnerable customers is designed to help firms understand, recognise and respond to vulnerable consumers' needs.

2.37 It sets out that for firms to recognise characteristics of vulnerability in consumers, firms' systems and processes should support and enable vulnerable consumers to disclose their needs. Firms should also use their communications and websites to tell consumers proactively about the support available, which may encourage vulnerable consumers to share information about their needs with firms. Firms can support consumers to articulate their needs and what support would help them, for example by asking questions about needs and preferences during key touch points, such as when contacting the customer about a payment deferral.

Responding to vulnerability

2.38 The draft Guidance accompanying GC20/3 states that firms should:

- understand the needs of their target market/customer base
- ensure their staff have the right skills and capability to respond to the needs of vulnerable customers
- respond to consumer needs through product design, flexible customer service provision and communications

2.39 This is relevant to firms dealing with consumers at the end of a temporary payment deferral. Firms will need to ensure their customer service can adapt to meet the individual needs of vulnerable consumers. GC20/3 includes examples of actions that firms can take to recognise and respond to vulnerable consumers' needs.

2.40 While we expect firms to treat all consumers fairly, we recognise that many consumers in receipt of temporary payment deferrals will display characteristics of vulnerability, particularly low financial resilience. Where this is the case, firms should take particular care to ensure they meet the needs of consumers at the greatest risk of harm. Firms should also pay particular consideration to the needs of consumers with protected characteristics under the Equality Act 2010 such as physical or mental health disabilities.

**Q5: How should firms be recognising and responding to the needs of vulnerable consumers at the end of a period of temporary support?**

**Triage and prioritisation of certain groups of consumers**

2.41 To ensure all customers can receive the right form of tailored support, we anticipate that some firms may need to prioritise having the most immediate conversations with those borrowers who are at the greatest risk of harm, this includes those who are in the most financial distress (including those who are most likely to find it most difficult to get back on track).

2.42 Any decision about prioritisation would need to be informed by a combination of many personal, financial and product characteristics. However, we consider that there are likely to be some factors that, on their own, indicate a borrower requires a full, individual conversation as a priority. These include borrowers who display a characteristic of vulnerability that puts them at increased risk of harm in this situation, for example very low financial resilience, poor financial capability, bereavement, redundancy, or poor mental health.

Examples of very low financial resilience may include borrowers who:

- were already in arrears pre-coronavirus
- are highly indebted
- have only a short term remaining on their mortgage or credit product (and no or limited scope to extend)
- are unemployed
- are relying on credit for essential spending
- are unable to meet other priority debts

2.43 We want to know if respondents agree with these factors. We also want to know whether it would be necessary for those consumers who do not meet such criteria to be offered a streamlined form of support (for example a further full or partial payment deferral) for a further fixed period to allow firms to prioritise those customers in greatest need.

2.44 This approach could create risks for the consumer receiving streamlined support. The risk could be that the support offered is not appropriate, or that the customer's circumstances change. We also want to know if respondents think these risks could be mitigated by the firm reviewing the support offered to those consumers within a fixed time period. And what this time period should be. For example, this could mean certain customers who are already on a payment deferral having this deferral extended for a few weeks, potentially until or beyond 31 October at which point a firm could make a fuller assessment.

2.45 Firms might also be able to automate certain elements of the process to support a triage function or even to deliver support to those identified as lower risk. For example, our temporary guidance set out that firms could use a digital or scripted process to assess customer circumstances and offer payment deferrals.

2.46 While our MCOB and CONC rules allow automation, they ultimately require firms to determine the extent and nature of payment difficulty, and the appropriateness of any forbearance solution for that individual. We therefore want to understand how firms who wish to automate elements of the process would do so in a way that still allows them to meet our requirements under MCOB and CONC, while delivering consistently good outcomes to all borrowers.

**Q6: Will different groups of customers need different levels of support? If so, how should they be identified?**

**Q7: Do firms expect to automate aspects of their process? If so, do they anticipate challenges in meeting MCOB 13, CONC 6 or CONC 7 and would further guidance be helpful?**

**Collecting information from customers**

2.47 Firms will need to gather information from their customers – both to provide appropriate forbearance, and to inform any triage or prioritisation. Our temporary guidance made it clear that we did not expect firms to investigate the circumstances surrounding a request for a payment deferral before agreeing one. Firms could choose to make the enquiries they consider necessary, provided that did not cause undue delay. Firms used a range of channels to gather information, ranging from full assessment of income and expenditure through to customer self-certification.

2.48 Our rules do not prescribe the information that must be collected, or the channel through which it must be collected. However, to meet our requirements under MCOB and CONC, firms need to collect sufficient information to make a judgment on what forbearance is appropriate for the customer given their individual circumstances. For example, to establish their customers' ability to meet priority debts and essential spend. This will be particularly important in the current crisis given the unique circumstances that may be affecting particular customers – such as the possibility of a strong rebound of income in certain sectors of the economy and the temporary impact of local lockdowns.

2.49 We want to understand whether firms anticipate challenges in collecting this information and to what extent they wish to use a different approach for different customer groups. If firms do wish to take a different approach for different customer groups, we want to understand how they will safeguard against poor outcomes and meet our rules.

**Q8: Do firms anticipate challenges in collecting the necessary information from their customers?**

### Ensuring good forbearance outcomes

2.50 Early discussions suggest that stakeholders are confident that our arrears and forbearance rules in MCOB 13 and CONC 6 and 7 provide a good basis for firms to provide the range of forbearance options that consumers need, including those who are temporarily impacted by coronavirus.

2.51 However, as set out above we are aware that some firms may need to consider how they adapt their processes to offer appropriate forbearance to borrowers at scale. And that this can create operational challenges and trade-offs.

2.52 We also know from our supervisory work in both mortgages and consumer credit that not all firms consistently deliver good outcomes. And the risk of poor outcomes could increase when dealing with customers in financial difficulty at scale. These risks could include firms:

- failing to recognise and respond to vulnerable consumers' needs
- failing to take account of information consumers provide
- not helping customers when they approach firms for help, even though the customer might not yet be in payment difficulty
- providing a one-size-fits-all approach without taking account of individual circumstances, leading to unsustainable or unaffordable repayment plans or unnecessary referrals to the debt advice sector
- not monitoring their processes, staff or controls effectively – with a focus on narrow aspects of the process rather than customer outcomes and the root causes.

2.53 We want to understand if respondents feel there are areas where our current requirements under MCOB and CONC do not go far enough to deliver good outcomes for consumers in the current environment. This could be in relation to the risks above. Or it could reflect the specific circumstances consumers are facing as a result of coronavirus.

2.54 We want to understand from respondents what good practices they have observed that can support good outcomes in the current environment, and what practices they consider could lead to poor outcomes. We are interested in the views of consumer and debt advice groups on what they think firms need to do to deliver good outcomes in the coming months.

**Q9: Is further guidance supplementing our forbearance rules needed to ensure good outcomes?**

**Customers with multiple debts**

2.55 While most consumers who took a payment deferral did so on only 1 product, we know that between 15% and 30% took deferrals on 2 or more. In addition, consumers unable to resume payments at the end of a deferral may have other debts, such as utilities and council tax. These consumers are also more likely to be vulnerable than those with a deferral on only 1 product.

2.56 To start supporting customers to get back on their feet and think about their longer-term financial position, we have already given guidance to help firms refer their customers to self-help or towards debt advice. This reflected the fact that many consumers currently in temporary financial difficulty as a result of coronavirus will not necessarily require formal debt advice, but would benefit from some help to manage their financial situation. We expect it will be appropriate for firms to continue to do this.

2.57 We also want to explore what more lenders can do to support customers who have multiple debts by taking a holistic view of their customers' financial position and preparing them for dealing with their other creditors, without needing to refer them to debt advice.

2.58 An important role played by debt advisors is to establish a common picture of a consumer's financial position which can be shared, and accepted, by all their creditors. Many debt advisors use the Standard Financial Statement (SFS). This is a tool developed by the Money and Pensions Service (MaPS), which sets out a methodology for dealing with expenditure and debts in a consistent way.

2.59 Lenders could use the SFS, or equivalent approaches, as a means of building a holistic understanding of a customer's financial position, including their other debts. We are interested in the possibility of firms providing the completed statement to their customers so they can present it to other creditors and/or debt advisors. This would avoid the need for repeating a time-consuming process and promote a common view among creditors of the consumer's position. This would help consumers who are able to self-help, and could speed up the advice process for those who may need more formal assistance.

2.60 Firms may also be able to help prepare customers to engage with other creditors, or debt advisors, by encouraging them to complete the SFS themselves.

2.61 Both MCOB (via the MaPS information sheet) and CONC require firms to signpost customers in payment difficulty to sources of free, independent debt advice. We also want to explore ways in which lenders can ensure that customers who need debt advice are able to access it.

2.62 We know that some firms have formal arrangements in place with debt advice firms whereby calls are transferred, minimising the risk of a customer not engaging. We are keen to understand whether and how such practices can become more widespread and efficient.

2.63 We also know that the debt advice sector faces challenges in meeting demand and that demand is expected to increase. There could be ways in which firms can help manage this demand and alleviate pressures on the debt advice sector. This could be through ensuring referrals are appropriate and necessary, developing or sharing self-help channels to improve efficiency and ensure a smooth customer journey, using the SFS, or unsecured creditors accepting token payments where they know that a customer is in arrears on priority debts.

**Q10: What can firms, the debt advice sector and FCA do to ensure customers with multiple debts get the support they need at the end of a payment deferral?**

**Q11: Can firms provide customers with a copy of a completed Standard Financial Statement so that a customer does not have to repeat the process multiple time? Or are there alternative ways to deliver the same outcome?**

### CRA reporting

2.64 As set out above, we consider that returning to normal CRA reporting is the right way forward. It is important that the longer-term integrity and value of credit information is maintained. This is in consumers’ interests as it will help prevent over indebtedness and help ensure appropriate access to credit is maintained through lenders having an accurate picture of consumers’ financial circumstances.

2.65 The updated Coronavirus Data Reporting Guidance, issued by the CRAs in consultation with the Steering Committee on Reciprocity (SCOR) and its member trade associations, sets out detailed reporting guidance for typical scenarios at the exit of deferrals. This guidance is clear that firms should resume normal reporting from the ‘frozen’ account position, to preserve the benefit of having no worsening status reported during payment deferral periods.

2.66 In our temporary guidance, we also set out some broad principles as to how amounts accrued during deferrals should be reflected in credit reporting and on how normal credit reporting should resume. We said that where, at the end of a deferral period, a customer agreed with their lender a mechanism to repay accrued amounts, we would not expect this to result in any negative reporting. This is subject to subsequent payment performance being reported in the usual manner.

2.67 In practice, this means that we would not expect arrangements to be reported to credit files in respect of whatever mechanism has been agreed to repay any accrued amounts at the exit of the payment deferral, but that if consumers subsequently do not repay in accordance with the agreed mechanism this may thereafter be reflected in normal reporting.

2.68 When normal CRA reporting resumes, we recognise that there may be a number of specific scenarios for credit reporting at the end of deferral periods which may need further consideration. We want to understand what if any further guidance may be necessary.

**Q12: Is any further guidance on credit reporting needed?**

2.69 Under our guidance, the credit files of consumers taking a payment deferral should not be negatively affected by the fact of taking a deferral. As we have made clear to consumers, credit files and scores may be impacted by a wide range of factors, and banks and lenders take into account a range of information when assessing the affordability of lending.

2.70 The intention of payment deferrals is to allow those temporarily affected by the economic effects of Covid-19 to recover. Our guidance does not require lending on an unaffordable basis, for example to those with a long-term loss of income.

2.71 We expect lenders to take appropriate account of applicants' wider financial circumstances in line with our existing requirements when assessing affordability, and we want to ensure that consumers affected by these exceptional circumstances are treated fairly by lenders in future. We want views on what further guidance may be needed to achieve this.

**Q13: Is any further guidance necessary to ensure that those who have taken payment deferrals under our guidance are treated fairly when their financial circumstances are being considered by lenders in future?**

## Overdrafts

2.72 Our temporary measures for overdrafts customers provided support with the cost of overdraft borrowing for those who needed to make short-term use of their overdraft due to the impacts of coronavirus. This provided an interest-free overdraft of up to £500 for up to 6 months, as well as further support for consumers using their overdraft over the interest-free amount.

2.73 While we know that many consumers have reduced their overdraft use following reduced expenditure because of lockdown, others are using their overdraft more heavily at this time.

2.74 As with customers of other products, we need to ensure that the appropriate support is in place for customers who have benefitted from these measures but whose long-term situation means they are not able to repay their overdraft when this temporary support expires.

2.75 As we made clear in our recent guidance, our repeat-use rules are a key mechanism by which firms can support customers whose coronavirus-related difficulties extend beyond the period during which they are eligible for temporary support.

2.76 Our rules (CONC 5D) set out that firms must identify and monitor the repeat use of overdrafts. Where a firm identifies that a customer has a pattern of repeat use and is showing signs of actual or potential financial difficulties, the firm is required to communicate with and set out suitable options designed to help the customer to:

- reduce their overdraft use over a reasonable period of time and
- address their actual or potential financial difficulties

2.77 With an increasing number of consumers likely to be facing difficulties in the coming months, we expect firms to be revising their strategies, looking again at the triggers they use to identify repeat users who are displaying signs of actual or potential financial difficulty.

2.78 We would welcome views on whether the current rules are sufficient to ensure firms identify those who will require assistance, particularly those coming to an end of a period of reduced overdraft cost, who may begin to suffer harm once the cost of their borrowing increases.

2.79 Our guidance at CONC 5D.3.3G sets out a list of some options the firm may identify as being appropriate to help a customer suffering actual or potential harm from repeat use of an overdraft. We would welcome views on whether these options are sufficient, and whether consumers are able to access them consistently when they require support.

**Q14: Are the current repeat use rules sufficient to enable firms to identify and address potential harm caused by an increase in the cost of borrowing for those coming to the end of their temporary support under these measures?**

# 3 Supporting consumers beyond 31 October

3.1 Our temporary guidance to support borrowers in temporary payment difficulty as a result of circumstances relating to coronavirus is in effect until 31 October. This means that anyone newly affected by circumstances relating to coronavirus will be able to get a payment deferral of up to three months, with the latest end date being at the end of January 2021.

3.2 Our future policy interventions will be influenced by several factors. These include the shape of the economic recovery, the evolution of Government policy and the effect of our temporary guidance. Our role is to meet our statutory objectives by ensuring that firms act properly and in line with our expectations. And this gives us unique insight to support the Government in its development of wider social and economic policy. As we have throughout the current emergency, we will work closely with the Government to consider the potential scenarios we could face and the potential policy response.

3.3 It is clear however that further temporary support might be needed beyond 31 October, and that firms will need to be flexible to respond to changing conditions. This could be the result of changes in employment, or linked to the evolving Government policy response to the pandemic – for example further local or other lockdowns. A key consideration will be the ending of the Government's job retention scheme.

3.4 In this chapter, we are seeking views on different ways this temporary support could be provided, and the factors that we will need to consider.

- **Extend our current guidance beyond 31 October**. Our current guidance has created a framework under which firms can offer simple, quick and temporary support to consumers in temporary payment difficulty. Our research has shown that the knowledge that payment deferrals would be available, if needed, has given consumers reassurance. Extending the guidance could help provide a consistent form of temporary support for those newly affected by circumstances relating to coronavirus.

- **Supplement our MCOB and CONC rules with further guidance on when a payment deferral (or other form of temporary support) should be given**. Firms have developed the capability to offer payment deferrals. And they can do so under our CONC and MCOB rules where necessary and appropriate. We anticipate that firms will wish to retain payment deferrals as a form of support they can offer in future. However, this would not guarantee that all consumers would receive them even where they were most appropriate. We could give further guidance on when a payment deferral should be given, to supplement our CONC and MCOB rules.

3.5 In both cases we would need to consider a number of factors, including

- The treatment of repossessions.

- How new or further payment deferrals should be reported to CRAs.

- What the appropriate form of temporary support would be for someone who has previously had one or two payment deferrals under our guidance, and been able to resume full payments, but who then requires further temporary support. And in particular whether there were circumstances where a further payment deferral would not be in these customer's interest.
- Whether a framework of further temporary support, alongside our current MCOB and CONC rules (supplemented by any new guidance arising from this call for input), could create confusion for consumers or complexity for firms.

3.6 We want views on whether and how further temporary support should be provided, and on the factors we should consider as part of this.

**Q15: Do you have views on whether and how further temporary support should be provided?**

**Q16: Do you have views on the factors we have set out?**