FINANCIAL CONDUCT AUTHORITY

Consultation on mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages

Consultation Paper

CP20/13**

July 2020

How to respond

We are asking for comments on this Consultation Paper (CP) by **8 September 2020**.

You can send them to us using the form on our website at:
www.fca.org.uk/cp20-13-response-form

Or in writing to:
Mortgage Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Email:
cp20-13@fca.org.uk

Contents

How to navigate this document

- returns you to the contents list
- takes you to helpful abbreviations
- takes you to the previous page
- takes you to the next page
- prints document
- email and share document

1 Summary

Why we are consulting

1.1 The adverse economic conditions caused by the coronavirus (Covid-19) crisis have had a significant impact on financial services, including the mortgage market.

1.2 Lenders have removed significant numbers of products from the mortgage market, which means existing borrowers have fewer switching options. This includes borrowers who may already lack switching options (for instance, if they are in a 'closed' mortgage book). Adverse market conditions have also made it more difficult for borrowers who are looking to repay the capital on their maturing interest-only and partial capital repayment (part-and-part) mortgages.

1.3 We are consulting on 2 proposed interventions to help 2 different groups of mortgage borrowers affected by these market conditions:

- A change to our rules to make it easier for borrowers in 'closed' mortgage books (books which are closed to new customers) to switch to a new mortgage deal with a firm that sits within the same group as their current lender.
- New guidance to help borrowers with maturing interest-only or part-and-part mortgages who are up-to-date with payments. The proposed guidance states that firms should allow these borrowers the option of delaying repayment of the capital on their mortgage up to 31 October 2021, if they continue to make payments.

Who this applies to

1.4 This Consultation Paper (CP) will be directly relevant to:

- mortgage lenders
- mortgage administrators, including those acting on behalf of unregulated entities
- mortgage customers in a closed book
- mortgage customers with maturing interest-only or part-and-part mortgages

1.5 This consultation will also be relevant to stakeholders with an interest in the mortgage market, including:

- credit reference agencies
- trade bodies representing mortgage firms
- consumers and consumer organisations
- charities and other organisations

The wider context of this consultation

1.6 Our Mortgage Market Study (MMS) found that the mortgage market works well in many respects as there are high levels of switching there are a range of products on offer and apparent competition on headline rates between lenders. But it also found that some borrowers face barriers to switching. Some are unable to switch to a better deal despite being up-to-date on mortgage payments, and, depending on their loan and borrower risk characteristics, are potentially paying more than they need. These borrowers are often called 'mortgage prisoners'. When we refer to mortgage prisoners in this CP, we use this definition. This group includes those who cannot switch because of changes to lending practices, during and after the 2008 financial crisis and the subsequent regulation that tightened lending standards, and because of changes to their own circumstances. In particular, it includes some borrowers in closed books that sit in the same financial group as an active lender. By 'closed books' we mean portfolios of mortgages which are closed to new customers. This is discussed further in Chapter 3.

1.7 In October 2019, we introduced new rules (Policy Statement (PS) 19/27) to remove barriers to switching to a more affordable mortgage for mortgage prisoners and other eligible consumers. However, the impact of these changes is dependent on lenders offering new switching options to these borrowers. Lending is a commercial decision and some consumers will be unable to switch where their circumstances put them outside of lenders' risk appetites.

1.8 Since then, the economic conditions caused by the coronavirus crisis have had a significant impact on the mortgage market. The FCA, alongside Her Majesty's Treasury, has worked with industry to support mortgage borrowers in temporary financial difficulty. Our temporary guidance has enabled two key measures:

- mortgage payment deferrals
- a pause on repossession action until 31 October 2020

1.9 Lenders have responded and granted 1.9 million payment deferrals to date.

1.10 Lenders have also faced challenges in serving customers during lockdown. The impact of the coronavirus crisis has led to a reduction in new lending in the mortgage market, and property sales and values (as well as forecasted values) have been affected.

1.11 Set against this background, lenders have reported that they will be unable to offer a range of switching options or support remortgaging under our amended rules introduced in PS19/27 as quickly as originally anticipated.

1.12 These adverse market conditions are also likely to complicate or even frustrate the repayment plans of some consumers with maturing interest-only and part-and-part mortgages. For example, if they were planning to sell their home or remortgage then a fall in the property value would affect this. The value of any investments they intended to use to repay the mortgage may have fallen.

1.13 This CP proposes 2 changes. One change is to help interest-only and part-and-part borrowers affected by the recent changes to the mortgage market as a result of the coronavirus crisis. The other change is to help some closed book borrowers who may currently lack switching options. These proposed changes link to our consumer protection objective, as discussed in further detail in Chapter 2.

What we want to change

1.14 We propose to make a change to our rules, and to issue new guidance. Our proposals seek to mitigate some of the impact of the market disruption caused by the current crisis. This should help some mortgage borrowers, including some mortgage prisoners. Also, our proposed rule change on intra-group switching is in line with our work to help to ensure better outcomes for mortgage prisoners.

1.15 We believe that these proposed changes are the most proportionate way to mitigate the harms we are trying to address. We do not believe that there are other reasonable alternative options to do this.

Removing a barrier to switching

1.16 Firstly, we want to remove a potential barrier in our rules to borrowers in a closed book switching to a potentially cheaper mortgage deal with a firm that sits within the same group as their current lender. We refer to this as 'intra-group switching'.

1.17 We propose to amend our responsible lending rules so that lenders can choose to not undertake a standard affordability assessment if the borrower seeking to switch to a new deal without borrowing more is currently in a closed book within the same group as the lender. This should help make it easier for these borrowers to take out a new mortgage contract. The detail of this proposed change is set out in Chapter 3.

Helping borrowers with maturing interest-only and part-and-part mortgages

1.18 Secondly, we propose to issue temporary guidance relating to borrowers with a maturing or recently matured interest-only or part-and-part mortgages who are up-to-date with payments. These borrowers could be facing challenges in repaying the capital on their mortgage as a result of market disruption caused by the crisis.

1.19 This guidance makes clear that firms should enable these borrowers to continue making interest payments and delay repayment of the capital on their mortgage up to 31 October 2021, if they need to. The details of this proposal, including which borrowers will be eligible, can be found in Chapter 4.

Outcomes we are seeking

1.20 We propose changing our responsible lending rules because we want to make it easier for borrowers whose closed book mortgage sits within the same financial group as an active lender to be offered a more affordable mortgage. We believe that firms may be prepared to lend to some closed book customers within their financial group, and this proposed change is intended to remove a potential regulatory barrier for them to do so. As the mortgage would stay within the group, this should not result in changes to risk at a group level. The aim of our proposal is to reduce the potential harm these borrowers may face if there are regulatory barriers which unnecessarily restrict them from being able to access the rates offered by another part of the group.

1.21 Firms will be able to choose whether to make use of this enabling rule change. They will not be required to do so, as lending is always a commercial decision. We accept that use of this rule change will be limited by a number of factors, including eligible borrowers' risk profiles, lenders' risk appetites and wider market conditions. We recognise some borrowers will have circumstances that are outside the risk appetite of the relevant lender.

1.22 We have proposed our interest-only and part-and-part repayment guidance because we consider that, given the unique disruption caused by coronavirus, consumers should have more flexibility to repay the capital on their mortgages in a potentially less disrupted market. This should help avoid a situation in which consumers would struggle to realise their repayment strategy or would attain poor value if they needed to repay the capital on their mortgage in adverse market conditions, or even that their properties are repossessed.

1.23 Some mortgage prisoners, as well as other mortgage borrowers, will stand to benefit from the changes proposed in this CP. The Statement which we published today presents our further analysis. It also covers the interventions that we have put in place, including the proposed changes in this consultation, to help a range of mortgage borrowers, including those impacted by coronavirus and mortgage prisoners. It sets out our future plans and where we will be continuing to monitor the market.

Measuring success

1.24 We will measure the effect of our proposed rule change on intra-group switching through our supervision of firms, and monitoring of regulatory returns. We recognise that use of this enabling rule change is dependent on several factors, in particular, lender appetite.

1.25 We will measure the effect of our proposed guidance on interest-only and part-and-part mortgages through our supervision of firms.

Next steps

1.26 We want to know what you think about the proposals in this paper. Please send your comments to us by 8 September 2020, using one of the methods in the 'How to respond' section on page 2. Unless you have indicated that your response is confidential, we will not treat it as such.

1.27 We will consider your feedback. If we choose to proceed, we would publish any rules and guidance in a Policy Statement in Q3.

1.28 If we proceed with the proposed rule change on 'intra-group switching' discussed in Chapter 3, we propose that it would come into force immediately upon publication of the Policy Statement.

1.29 If we proceed with the proposed guidance on maturing interest-only and part-and-part mortgages discussed in Chapter 4, we propose that it would come into force on 31 October 2020.

Q1: **Do you agree with our timeline for when our proposed rule change on 'intra-group switching' would come into force?**

Q2: **Do you agree with this timeline for when our proposed guidance on maturing interest-only and part-and-part mortgages would come into force?**

2 The wider context

The harm we are trying to address

Intra-group switching

2.1 We are concerned that some mortgage borrowers, whose mortgages are in a closed book that sits within the same financial group as an active lender, are unable to switch to a new deal with the active lender. These borrowers may experience financial harm if there are regulatory barriers that unnecessarily restrict them from being able to access the rates offered by another part of the group.

Maturing interest-only and part-and-part mortgages

2.2 The coronavirus crisis has affected property, investment and mortgage markets in ways that could frustrate borrowers' repayment plans. Property values may have been affected, the value of investments could have fallen and lenders are offering fewer new products. This affects interest-only and part-and-part consumers whose mortgages have matured recently or are set to mature soon. This creates potential harm for borrowers in the following ways:

- they could struggle to realise their repayment strategy
- they may attain poor value when forced to repay the capital on their mortgage in adverse market conditions, leading to an increase in debt
- their properties could be repossessed if they are unable to repay

Impact of adverse market conditions on consumers who lack switching options

2.3 Most mortgage products currently sold in the UK involve a short-term incentivised deal (an introductory, discount or fixed rate period). The rate then changes to what is known as a 'reversion rate'. The move to a reversion rate usually means an increase in the interest rate and mortgage payments. At this point, it is usually in a consumer's interest to switch to a new mortgage product, either with their existing lender or a new lender, to minimise their mortgage payments.

2.4 Overall, the MMS found high levels of switching in the mortgage market. However, it also found that some borrowers could not switch to a more affordable mortgage, despite being up-to-date with payments. This could be for various reasons, including because of changes to lending practices during and after the 2008 financial crisis and the subsequent regulation that tightened lending standards, and because of changes to borrowers' own circumstances. Some existing mortgage borrowers may be unable to switch to a new mortgage deal that would reduce the cost of their borrowing.

2.5 We therefore introduced a modified affordability assessment to help remove potential barriers to borrowers, including mortgage prisoners, switching to a more affordable mortgage, provided they met certain criteria. These rule changes came into force in October 2019.

2.6 However, the success of these changes depends on lenders offering new switching options to consumers. Lenders have reported that due to the coronavirus crisis they will be unable to offer a range of switching options or support remortgaging under our amended rules as quickly as originally anticipated. We are committed to working with industry to see these actions happen as soon as practicable.

2.7 We have proposed an additional rule change in this CP. This change would expand the scope of the internal switching rules, by permitting firms to treat intra-group switching from a closed book in their group in the same way as internal switching. This should not require significant systems changes. It should also not result in changes to risk at a group level, as it would only apply to closed book customers who already sit within the lender's financial group. So, firms may choose to make use of it despite the impact of the coronavirus crisis, which has delayed their ability to support remortgaging using the modified affordability assessment. It may provide another avenue for some consumers to switch, where their closed book mortgage sits within the same group as an active lender. This proposed rule change is set out in detail in Chapter 3.

Impact of adverse market conditions on consumers with interest-only and part-and-part mortgages

2.8 Interest-only mortgages allow the consumer to borrow against the value of a property, but to only make interest payments on the capital amount borrowed. Part-and-part mortgage customers repay part of the capital amount borrowed, paying only interest on the rest.

2.9 Sales of new interest-only and part-and-part mortgages were more prevalent before the 2008 financial crisis. Following the tightening of lending criteria, there have been reductions in new interest-only mortgages but the numbers reaching maturity are increasing. Our Finalised Guidance (FG 13/7) sets out how firms should deal fairly with interest-only customers who risk being unable to repay their loans.

2.10 Borrowers with interest-only and part-and-part mortgages have been able to take advantage of our temporary guidance in response to coronavirus. This helps in the short-term by pausing repossessions, and allowing borrowers to take advantage of a payment deferral if needed. It does not address the short to medium-term challenges borrowers face if their mortgage has recently matured or is about to mature. The crisis is likely to have made it more challenging to repay the capital as:

- those relying on the sale of a non-property asset or investment as a repayment vehicle, may have experienced a shock to expected returns as a result of coronavirus-related market falls
- those relying on remortgaging as a repayment vehicle, even those who would have been eligible until recently, may struggle to access this, whether as a result of falling property values, tightened lending criteria, or temporary income shocks
- those planning to sell or downsize may be adversely affected by changes in the property market

How it links to our objectives

Consumer protection

Borrowers who lack switching options

2.11 One of our operational objectives is to secure an appropriate degree of protection for consumers. By reducing the regulatory barriers to lenders offering a new mortgage deal to borrowers whose mortgage sits in a closed book within the same financial group, we hope to make it easier for these borrowers to switch to a cheaper mortgage deal.

Borrowers with maturing interest-only and part-and-part mortgages

2.12 We also want to make clear how we think firms should treat borrowers fairly in the circumstances arising from coronavirus, which we describe above. We propose to issue further temporary guidance which builds on Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly'), and seeks to minimise potential harm to borrowers with interest-only and part-and-part mortgages which have matured recently or are set to mature soon in these unique, adverse market conditions.

Competition

Borrowers who lack switching options

2.13 We expect a limited impact on competition from our proposal to remove barriers to switching. Any impact on competition might be neutral or positive given that it may enable greater switching between products.

Wider effects of this consultation

2.14 Annex 2 sets out our analysis of benefits and costs to firms and consumers from our proposals.

Potential unintended consequences of our interventions

Borrowers who lack switching options

2.15 Our proposed change to our responsible lending rules would allow lenders to not undertake a standard affordability assessment when lending to borrowers with a closed book mortgage, within their group, who wish to remortgage. Without some restrictions, this could lead to borrowers being offered less affordable mortgages than their current deal. However, we intend to add these borrowers to the category of eligible consumers under our existing internal switching rules. Therefore, lenders are restricted to only being able to use this rule where there is no additional lending, other than to finance a product or arrangement fee, and no change to the terms of the contract likely to be material to affordability. We believe that this should mitigate any risk of the borrower's new mortgage contract being less affordable.

Borrowers with maturing interest-only and part-and-part mortgages

2.16 The medium-term impact of coronavirus on the mortgage, equity and housing markets is difficult to fully assess. For the proposed guidance on interest-only and part-and-part mortgages, there are some risks:

- to borrowers, that the value of any repayment strategy will not have recovered or will have decreased (further) after a 12-month period, potentially leaving borrowers worse off at the end of the year
- to firms, that a rapid recovery in markets makes the proposed guidance unnecessary, meaning that firms incur some costs from the delayed repayment of capital on mortgages, which could have been repaid without adverse impact on consumers

2.17 Firms would need to make clear to borrowers that the flexibility being offered, in accordance with the approach set out in the guidance, requires borrowers to maintain interest payments, and that this could result in higher overall costs to borrowers. Firms will also need to be clear that the decision is the consumer's, and that there is no guarantee of market recovery. If a borrower's repayment plan remains intact, firms would need to make clear that it would still be best for them to repay their mortgage when it matures, as this avoids the cost of further interest payments.

2.18 We would keep any finalised guidance under review to ensure it remained appropriate in the market circumstances.

What we are doing

2.19 We are proposing to make the following changes:

- Changing our responsible lending rules to allow lenders to not undertake a standard affordability assessment, if the borrower seeking to switch to a new deal is in a closed book within the same financial group as the lender they are switching to. Lenders could choose to do this only if there is no additional borrowing (other than to finance a product or arrangement fee) or change to the terms of the contract likely to be material to affordability.
- Issuing temporary guidance for interest-only and part-and-part mortgage holders who are up-to-date with payments and whose mortgage matured or matures between 20 March 2020 and 31 October 2021. We consider that borrowers should be allowed to delay repayment of the capital on their mortgage up to 31 October 2021. This is subject to customers continuing to make interest payments.

Equality and diversity considerations

2.20 We have considered the equality and diversity issues that may arise from the proposals in our CP. Age is a protected characteristic. Interest-only and part-and-part customers are more likely to be older and to benefit from our proposals.

2.21 We do not expect these proposals to materially impact any of the other groups with protected characteristics under the Equality Act 2010. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when making the final rules.

2.22 In the meantime, we welcome your views on this consultation.

3 Intra-group switching

3.1 In this Chapter, we set out proposals to amend our responsible lending rules to allow lenders to treat borrowers in a closed book held by a separate legal entity within the same financial group in the same way as they would their own existing customers. This would mean that a product switch need not involve a standard affordability assessment, or a modified affordability assessment, but could rather be treated in the same way as internal switching.

Industry voluntary agreement

3.2 In 2018, lender trade bodies responded to the findings of the MMS with a voluntary agreement, with 67 lenders, reflecting around 97% of the market, committing to enabling existing customers on a reversion rate to move to a better deal, where they meet certain criteria. Examples of these criteria included being up-to-date with payments, and having a minimum of 2 years or £10,000 left on their mortgage. The industry voluntary agreement led to 26,000 customers being offered a new deal in 2018.

Previous changes to our responsible lending rules

3.3 In October 2019, we amended our responsible lending rules and guidance to help remove potential barriers to consumers switching to a more affordable mortgage with a new lender.

3.4 These changes mean that mortgage lenders can choose to carry out a modified affordability assessment, and thus choose to disapply (no longer apply) some of our existing rules, where a borrower:

- has a current mortgage
- is up-to-date with their mortgage payments (and has been for the last 12 months)
- does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage
- is looking to switch to a new, more affordable, mortgage deal on their current property

3.5 These rule changes also mean that inactive lenders, and administrators acting for unregulated entities, must review their books and develop and implement a communication strategy for contacting relevant borrowers to tell them it could now be simpler for them to remortgage.

Closed books

3.6 Some portfolios of mortgages are closed to new customers (closed books). These are created for a number of reasons, including the sale of failed lenders' mortgage books after the 2008 financial crisis, and firm mergers.

3.7 Although closed to new customers, many of these closed books do offer new deals to existing customers. So, many closed book borrowers can switch to a new deal within their current closed book brand. Some of these deals can have a higher interest rate than those offered by firms actively lending to both new and existing customers. This could be due to a number of reasons, including differences in the consumer risk profiles and the associated costs that follow from this (for example, in meeting prudential requirements).

3.8 To switch to a mortgage with a new lender, closed book borrowers currently have to pass an affordability assessment, which could be the modified affordability assessment if they are eligible, and meet the new lender's lending criteria. This is because they are treated as new customers. This includes when the lender they are switching to is part of the same group structure as the separate legal entity that holds the customer's closed book.

Our proposed change

3.9 Under our current rules, a lender does not have to conduct a standard affordability assessment, or use the modified affordability assessment, when an existing customer seeks to enter into a new regulated mortgage contract with them. This is as long as there is no additional borrowing (other than to finance a product or arrangement fee) or change to the terms of the contract likely to be material to affordability (MCOB 11.6.3R). It is a commercial decision as to whether lenders choose to make use of this rule, but currently many lenders do.

3.10 We propose to extend the scope of this rule so it also includes the situation where a closed book customer of one legal entity seeks to enter into a new regulated mortgage contract with a lender who is a different legal entity, but who sits within the same financial group as their current closed book lender. This proposed extension of the rule's scope would not apply to customers who wish to enter into a new home purchase plan, because, as far as we are aware, the harm we are trying to mitigate by our proposed change exists only for customers of closed mortgage books.

3.11 We do not propose to otherwise alter this rule (MCOB 11.6.3R). Lenders will continue to be able to make use of this rule only where there is no additional borrowing (other than to finance a product or arrangement fee), and no change to the terms of the contract likely to be material to affordability. We believe that these restrictions are important, as they help to prevent lending that could result in consumer harm.

3.12 Whether lenders choose to use the additional flexibility offered by this enabling rule change would continue to be a commercial decision. We are aware that lenders' appetite to make use of this rule change may be influenced by a number of factors, including eligible consumers' risk profiles, lenders' risk appetites and wider market conditions.

3.13 Lenders already have the power to make use of the modified affordability assessment detailed in MCOB 11.9 for closed book consumers who meet the relevant criteria. However, as a result of the coronavirus crisis, lenders have reported that they will be unable to offer a range of switching options or have processes and systems in place to support remortgaging under our amended rules as quickly as originally anticipated.

3.14 As our proposed change simply expands the scope of established internal switching rules to include closed book borrowers who already sit within the same financial group, it should not require significant systems changes, or result in changes to risk at a group level. So, firms may choose to make use of it despite the impact detailed above of the coronavirus crisis, which has delayed their ability to support remortgaging using the modified affordability assessment.

3.15 The impact of the coronavirus crisis has exacerbated a pre-existing lack of switching options for some closed book borrowers. Therefore, we believe that firms will continue to make use of this change even when they are able to support remortgaging using the modified affordability assessment detailed in MCOB 11.9.

3.16 Furthermore, this change is in line with our broader approach of removing regulatory barriers that could unnecessarily restrict borrowers switching to a more affordable mortgage.

3.17 This proposed change will not affect closed book borrowers if their current lender does not sit within a group structure that contains an active lender.

3.18 It will also not affect any consumers who do not sit within a closed book, ie whose current lender is offering new deals to new and existing customers. MCOB 11.6.3(R) already permits their current lender to choose to offer them a new mortgage deal without conducting a standard, or modified, affordability assessment. So, there is no regulatory barrier to these consumers switching without an affordability assessment with a lender (ie their existing lender) who is actively lending to new customers. Therefore, we do not believe that these consumers are suffering from harm that could be mitigated by including them in the scope of our proposal.

3.19 Our analysis of costs and benefits (CBA) can be found in Annex 2.

Q3: **Do you agree with our proposal to extend our rules, that do not require a standard affordability assessment for borrowers switching with their existing lender, to include borrowers in closed books looking to switch with a lender within the same group as their closed book?**

4 Maturing interest-only and part-and-part mortgages

4.1 This section covers our proposed guidance on interest-only and part-and-part mortgages that have matured recently, or are set to mature while markets are presently disrupted due to coronavirus.

Background

4.2 Current market conditions could make it more difficult for borrowers who are looking to repay the capital on their maturing interest-only and part-and-part mortgages. We discuss this in detail in Chapter 2.

4.3 This issue is distinct from that identified by our guidance (FG 13/7), which sets out how firms should deal fairly through longer-term strategies with interest-only borrowers who risk being unable to repay their loans. In 2018, our thematic review (TR 18/1) looked at how firms were treating borrowers with existing interest-only mortgages who may have a repayment shortfall at maturity.

4.4 We estimate that up to 86,000 borrowers have interest-only or part-and-part mortgages maturing during the period of our proposed guidance.

Our proposal

4.5 We are consulting on draft temporary guidance, setting out expectations under Principle 6 for the fair treatment of customers whose repayment strategies may currently be affected. Our proposals seek to reduce harm from the coronavirus crisis. This applies to interest-only and part-and-part mortgage borrowers:

- who are up-to-date with payments (this includes borrowers who have missed payments due to a previous or current mortgage payment deferral under our temporary guidance)
- whose mortgages have matured, or are maturing, between 20 March 2020 (the date of our temporary coronavirus guidance) and 31 October 2021

4.6 We propose that if these borrowers continue to make interest payments they should be allowed to delay repayment of the capital on their mortgage up to 31 October 2021. Borrowers could still choose to proceed with repayment. For borrowers whose repayment plan is unaffected by the crisis this may be the best course as it will avoid the extra cost of continuing to make interest payments. Firms should make this clear to their customers. We expect that many borrowers will opt to repay the capital when it becomes due.

4.7 The draft guidance can be found in Appendix 1.

Objective

4.8 The coronavirus lockdown temporarily paused many aspects of normal economic activity such as housing transactions and wider financial markets. Although, this may have a longer-term impact, the Bank of England has described a scenario where *'activity picks up materially in the latter part of 2020 and into 2021 after social distancing measures are relaxed, although it does not reach its pre-Covid level until the second half of 2021'*. We therefore consider that firms should give borrowers more time to determine the impact of the coronavirus crisis, and reduce the risk of harm from realising repayment strategies in adverse market conditions.

4.9 This guidance addresses a separate issue to that addressed by our temporary guidance in response to coronavirus. The temporary guidance helps borrowers who are struggling to make mortgage payments. It also pauses repossessions to make sure borrowers have a home at a time when they needed to follow Government advice on social distancing and self-isolation. This CP addresses the potential medium-term economic conditions created by coronavirus. To ensure customers are treated fairly in line with Principle 6 during this unique situation, our proposals seek to reduce harm to borrowers from:

- their properties being repossessed if they are unable to repay
- them struggling to realise their repayment strategy
- them attaining poor value if needing to repay the capital on their mortgage in adverse market conditions

4.10 The approach set out in this guidance gives borrowers more flexibility to repay the capital on their mortgages in potentially less disrupted markets. We recognise that firms may have had plans for the repayment of the capital on these mortgages. However, firms will still have the benefit of a continued income stream while holding off on demanding repayment. The application of the guidance to borrowers who are up-to-date with payments gives firms greater certainty of this income stream.

4.11 We propose that the guidance should be in place for 12 months from 31 October 2020. We consider that the economic implications and uncertainty of the crisis suggest that this is a reasonable period.

4.12 Having a defined period for which the guidance applies provides reassurance to borrowers. It gives firms more clarity. It is also a sufficiently long period in which there could be market recovery of the following capital repayment strategies:

- sale of a non-property asset or investment
- remortgaging
- sale of a property

4.13 Our analysis of costs and benefits (CBA) can be found in Annex 2.

Scope and eligibility

4.14 This guidance would apply to all regulated interest-only and part-and-part mortgages maturing within the period it covers, including those with inactive firms, and is relevant to third-party administrators who administer books on behalf of unregulated entities.

4.15 We propose that to be eligible to delay repayment of the capital when their mortgage matures, a borrower has to be up-to-date with payments and have an interest-only or part-and-part mortgage maturing between 20 March 2020 and 31 October 2021. A borrower that has needed to make use of a payment deferral under our temporary guidance is considered as being up-to-date with mortgage payments and is eligible. We do not propose further eligibility criteria beyond this.

4.16 Where a borrower's mortgage has matured after 20 March and the capital has not been repaid, the borrower is eligible as long as they have continued to make interest payments.

4.17 Borrowers who have taken advantage of a payment deferral, or are doing so when the mortgage matures, would remain eligible. Where a borrower has agreed a term extension under our coronavirus guidance, they could still take advantage of this guidance at the end of term, provided that is during the 12-month window the guidance is in force.

4.18 Continued interest payments will avoid an increase in debt and an erosion of capital, or in the case of a payment deferral a further erosion of capital. We propose that eligible interest-only borrowers would continue to make interest payments. Where these borrowers have received a payment deferral, the deferral could be capitalised or paid in another way, eg by one or more lump sum after the borrower has resumed payments.

4.19 Those with part-and-part mortgages who will have repaid the capital on their mortgages upon maturity, can:

- make interest payments on the interest-only part of their mortgage
- agree with their lender to make interest payments on the interest-only part of their mortgage, and in addition repay some of the capital on this interest-only part

4.20 If an eligible part-and-part borrower has not repaid the capital part of their mortgage because of a payment deferral, the firm and borrower should reach agreement on the payment of the outstanding capital amount and any deferred interest. For example, the amount could:

- be repaid separately to the interest on the interest-only part of the mortgage
- be capitalised to the interest-only part of the mortgage

4.21 We consider that the interest rate charged should be the borrower's pre-maturity rate (or lower).

4.22 If a borrower is taking advantage of flexibility offered by the guidance, but is then unable to make the required payments, this guidance will no longer apply. However, firms are reminded of our rules and the guidance in MCOB 13 and the more general obligation to treat customers fairly under Principle 6. Firms can continue to offer flexibility to customers who are not up-to-date with payments, where this is consistent with their best interests.

4.23 If a borrower encounters payment difficulties before their mortgage matures, MCOB 13 applies. Firms are not prevented from offering similar options as those in the proposed guidance to borrowers who are not up-to date with payments upon maturity, provided they are in the borrower's best interests and borrowers are treated fairly.

4.24 Our Finalised Guidance (FG 13/7) sets out what we expect firms to do to ensure the fair treatment of customers who are unable to repay the capital sum at the end of the term, and to minimise the risk of non-repayment through early and effective consumer engagement over the mortgage term. This applies separately to this guidance.

Implementation

4.25 Firms would be expected to make clear to borrowers whose mortgages are maturing that delaying repayment of capital in accordance with this guidance is an option.

4.26 We want borrowers to be able to make informed decisions. When a borrower is considering whether to take advantage of this guidance a firm should give them adequate information to understand the implications of delaying repayment. Firms should clearly set out to borrowers the level of interest payment they will need to maintain.

4.27 Firms should also make clear to borrowers that where borrowers' plans for repayment of the capital are unaffected by the coronavirus crisis, then it is likely to be in their best interests to repay. Firms should also clearly disclose that choosing to delay repayment of capital could expose the borrower to further risk, for example should there be further market disruption, such as a second lockdown.

4.28 We understand that industry practice is to report to credit reference agencies that past-term borrowers, who continue to make interest payments, are up-to-date, with arrears reported where payments are not made. For borrowers who continue to make interest payments in accordance with this guidance, given the exceptional circumstances arising out of coronavirus, we would expect payments to be reported in this way, with no other negative reporting to credit files (eg arrangement flag/status).

4.29 Under our proposals firms are not expected to rewrite borrowers' contracts to give effect to the guidance.

4.30 We have considered the potential prudential impact of this draft guidance in our CBA.

4.31 We propose that the guidance comes into force on 31 October 2020.

4.32 Questions in this section

Q4: **Do you agree with the guidance we are proposing on interest-only and part-and-part mortgages?**

Q5: **Do you agree that the guidance should only apply to those up-to-date with payments at maturity and who maintain interest payments thereafter?**

Q6: **Do you agree that the guidance on interest-only and part-and-part mortgages should be in place for 12 months?**

Annex 1
Questions in this paper

Q1: **Do you agree with this timeline for when our proposed rule change on 'intra-group switching' would come into force?**

Q2: **Do you agree with this timeline for when our proposed guidance on maturing interest-only and part-and-part mortgages would come into force?**

Q3: **Do you agree with our proposal to extend our rules, that do not require a standard affordability assessment for borrowers switching with their existing lender, to include borrowers in closed books looking to switch with a lender within the same group as their closed book?**

Q4: **Do you agree with the guidance we are proposing on interest-only and part-and-part mortgages?**

Q5: **Do you agree that the guidance should only apply to those up-to-date with payments at maturity and who maintain interest payments thereafter?**

Q6: **Do you agree that the guidance on interest-only and part-and-part mortgages should be in place for 12 months?**

Q7: **Do you have any comments on our cost benefit analysis on the proposed rule changes on intra-group switching?**

Q8: **Do you have any comments on our cost benefit analysis on the proposed guidance on interest-only and part-and-part mortgages?**

Annex 2
Cost benefit analysis

Intra-group switching

1. FSMA, as amended by the Financial Services Act 2012, requires us to publish a cost benefit analysis (CBA) of proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

2. The following cost benefit analysis sets out our analysis and estimation of the costs and benefits of our proposed rule changes on intra-group switching.

Problem and Rationale for intervention

Number of consumers affected and size of harm

3. There are a number of consumers on mortgages in closed books (books that are no longer open to new customers). The proposal we are setting out here affects consumers in closed books, where mortgages are being offered to new borrowers by an active lender that is part of the wider group. Using data reported to us through Product Sales Data reporting (PSD007) in December 2019 and data previously gathered from firms, we have estimated that there are around 63,000 consumers that are in closed books within a wider financial group that contains an active lender.

4. While most of these consumers are paying interest rates in line with the market and therefore not experiencing harm, some consumers are paying higher rates than those available elsewhere. By way of illustration, we estimate 25,000 of these 63,000 consumers were paying rates above 4% at the start of 2020. However, not all of these consumers may be experiencing harm relative to this illustrative 4% benchmark because their ability to access such other products depends on a number of factors. These include the consumer's own risk profile, and lenders' overall product portfolios, lending appetite and pricing. Some consumers may not meet the relevant credit risk appetite of other lenders and may therefore be unable to switch to better deals. Of the consumers that would benefit from switching, some consumers may be able to obtain a rate lower than 4% on their new mortgage. But some consumers may not be able to switch to a rate as low as 4% even though they can switch to a cheaper mortgage.

5. We have used 4% solely as an illustrative figure for the purposes of making estimates in this CBA. The Product Sales Data we have analysed was reported to us in December 2019. At the start of 2020, 4% was around the level of the best mainstream SVRs available on the market. Since that time, interest rates were cut by the Bank of England in March from 0.75% to 0.10%, a reduction of 65 basis points. To take this change into account in estimating the size of the harm, we have examined the impact of rates 65 basis points lower, both in terms of the SVR interest rates the 25,000 consumers pay and the SVR benchmark alternative. Some consumers may be able to access introductory deals with some lenders at even lower rates, but we have used 3.35% as a benchmark to illustrate the savings that could be made if these consumers were

to be switched and to benefit from a mainstream SVR now. Using these figures and assuming these consumers would meet lenders' criteria to be switched and would subsequently benefit from a lower SVR, we estimate that these 25,000 consumers could save c.£28 million per year on their mortgages. The extent of switching depends on whether consumers qualify for the deals available and are within lenders' credit risk appetite, as well as on the consumers' response. Because of this, many of these consumers may not be able to switch to a lower rate. Lenders may choose to continue to follow standard affordability checks for intra-group switching for some customers, rather than making use of the proposed rule change. This figure of c.£28 million is therefore an upper bound of potential consumer savings, as discussed later in the CBA.

Rationale for intervention

6. As demonstrated in our Mortgage Market Study, there are switching costs that arise from switching mortgages for consumers, including their time and effort. Switching externally requires more time and effort to switch than switching to a new product offered by the borrower's existing lender.

7. Switching between two lenders that sit within the same group is treated as an external switch by the lender and therefore the costs of switching to a new mortgage within the wider group is as costly, for both the consumer and the lender, as switching to another provider entirely.

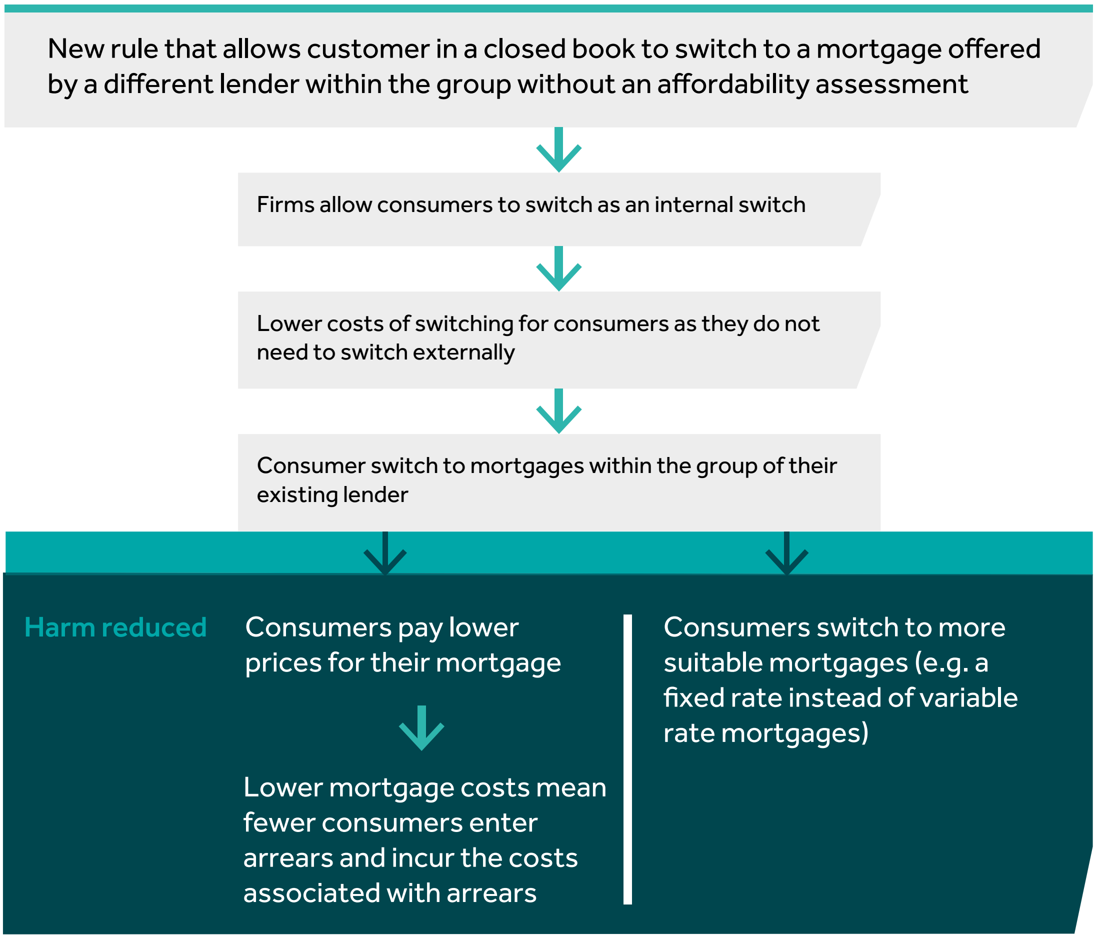
8. The process of undertaking affordability checks is a barrier for switching within groups that is not present when internally switching mortgages with the same lender. The regulatory barrier prevents some consumers switching and results in the harm of higher interest payments.

Our intervention

9. Under our current rules, a lender does not have to conduct a standard affordability assessment when an existing customer seeks to enter into a new regulated mortgage contract with the same lender, as long as there is no additional borrowing (other than to finance a product or arrangement fee) or change to the terms of the contract likely to be material to affordability.

10. We propose to extend the scope of this rule so it applies when a closed book customer of one legal entity seeks to enter into a new regulated mortgage contract with a lender within the same financial group as their current closed book lender. By 'closed book', we mean a book which is closed to new customers. Where there is no active lender within the same group as a closed book, consumers in the closed book would not be affected by this proposed rule change.

Figure 1: Causal chain



Baseline and assumptions

11. Our baseline is based on the number of customers in closed books within a wider financial group that contains an active lender that were paying rates above 4% at the start of 2020. There are reasons why this baseline may actually be higher or lower, albeit we do not consider it is possible to factor these into our baseline.

12. The first reason why the number of consumers may be lower in the baseline is that, in October 2019, we introduced the modified affordability assessment. This lowers the costs of switching between lenders where a consumer:

- has a current mortgage
- is up-to-date with their mortgage payments (and has been for the last 12 months)
- does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage
- is looking to switch to a new mortgage deal on their current property

13. Lenders can choose to apply the modified affordability assessment to all remortgaging, provided the consumer meets the above eligibility criteria, including where consumers are switching from a closed book to a new mortgage within the same group. It therefore helps prevent eligible consumers being refused a cheaper mortgage based on affordability. While modified affordability assessments have been introduced, their impact is still to be felt in the market as the communication exercise has not yet been undertaken and the modified assessment has not been implemented into firms' systems yet, given the relatively short space of time between publication of the guidance and the beginning of the impact of the coronavirus. Consequently, we would expect that over time there would already be more switches to other lenders as consumers and firms start taking advantage of the modified affordability assessment.

14. The second reason is that the coronavirus situation has meant that providers have reduced their offering of mortgages and may have lowered their credit risk appetite. This will reduce the number of mortgages that are available for consumers to switch to, especially for more risky consumers. This will be compounded by any reduction in house prices, as this will increase the loan to value (LTV) of the mortgage.

15. The third reason is that current mortgages in closed books will also reach term or be paid off. Consequently, the number of consumers affected by our proposals will decline over time. However, in the future more books may be closed within groups that contain an active lender, and will thus be affected by these proposals set out here.

16. It is not clear what proportion of the 25,000 consumers who were paying rates above our 4% benchmark would switch as a result of our proposals here. It is difficult to predict with any certainty consumers' behavioural response to the reduction in switching costs. Any increase in switching would depend on the consumers' willingness to respond and whether consumers qualify for the deals available and are within lenders' credit risk appetite. It would also depend on lenders' appetite to make use of our proposed rule change, as lenders may choose to continue to follow standard affordability checks for intra-group switching. As noted above, we expect that the range of mortgages available to consumers, especially riskier ones, may fall which may restrict the numbers that can switch. To illustrate the potential impact of this proposal, we assume that 10-20% of consumers that could benefit from switching will switch. We use a low proportion as some of these consumers are relatively inactive and not all firms may take up the option of offering mortgages to these consumers without an affordability assessment.

17. The costs and benefits we estimate are for the impact on current closed books. Costs and benefits may arise from books closed in the future but we do not think it is reasonably practicable to estimate these costs and benefits.

Summary of costs and benefits

18. Table 1 summarises the costs and benefits of our proposal on intra-group switching. The costs and benefits that arise from this intervention largely increase proportionally with the number of consumers that switch. The significant impact is a transfer from firms to consumers from lower interest payments. There will be net benefits due to the impact from a reduction in defaults as lower interest payments are more affordable.

Table 1: Summary of costs and benefits

	Costs	Benefits
Firms	Familiarisation costs – £65k (one off) Systems costs from enabling switching within groups without affordability assessment – £110k (one off) Costs of switching mortgages – £1.25m-£2.5m (one off) Reduction in interest revenue from mortgages – £2.8m-£5.6m (per year)*	Lower levels of defaults – Not quantified
Consumers	Time and effort to switch mortgage -Not significant	Reduction in interest costs of mortgage – £2.8m-£5.6m (per year)* Lower levels of defaults – Not quantified

*If we assume 10-20% of consumers who could benefit from switching do so

Costs

19. This section sets out the costs of our proposal on firms and consumers. It describes and provides estimates of the costs of changing systems, switching costs, familiarisation costs and revenue lost by firms.

One off costs

Familiarisation costs

20. We would expect a wide cohort of firms to familiarise themselves with the changes we propose making on intra-group switching. We expect all mortgage providers would want to read and understand our proposed changes even if they are not directly affected by them.

21. We assume that both lenders and administrators will seek to understand the changes we are proposing. In total, there are around 198 firms. We assume that there are approximately 30 large firms, 126 medium firms and 42 small firms.

22. We use standard assumptions to estimate these costs (see How we analyse the costs and benefits of our policies). We anticipate that there will be approximately 10 pages of policy documentation that firms will need to familiarise themselves with. Assuming that there are 300 words per page and a reading speed of 100 words per minute, it would take around 30 minutes to read the policy documentation. It is further assumed that 20 compliance staff at large firms, 5 staff at medium firms, and 2 compliance staff at small firms read the document. Finally, the hourly compliance staff salary is assumed to be £59 at large firms, £63 at medium firms, and £45 at small firms, including 30% overheads.

23. Using these assumptions, we expect total one-off industry-wide costs of familiarisation of approximately £40,000.

24. We also expect lenders and intermediaries will undertake a legal review of the new requirements against current practices. We, again, use standard assumptions to estimate these costs. There are around 2 pages of legal instrument to review. It is assumed that 4 legal staff at the largest firms, 2 legal staff at medium firms and 1 member of legal staff at small firms will review the legal instrument.

25. It is further assumed that each legal staff member can review 50 pages of legal text per day. Finally, using data on salaries from the Willis Towers Watson UK Financial Services survey the hourly legal staff salary is assumed to be £69 at large firms, £69 at medium firms and £55 at small firms, including 30% overheads.

26. Using these assumptions, we estimate that the total one-off legal review costs would be £25,000.

27. In total, we estimate one-off familiarisation and gap analysis costs of £65,000.

System costs

28. There will be some time costs of adjusting systems to enable switching within the group to be undertaken as an internal switch. We expect that some groups may already be set up to switch mortgages between group entities if systems are shared. However, we assume that the 13 legal entities that we think are affected by these proposals need to make some one-off small IT changes to allow systems to be updated.

29. Some other firms may incur these costs if books are closed but the book is within an active group.

30. We assume that large firms use 46 person days and smaller firms use 8 person days to update their systems to enable closed books within their group to switch as an internal switcher. We use salary data from Willis Towers Watson 2016 UK Financial Services Report to estimate the salary costs of these person days. On average, the salary cost is £390 per day for large firms and £370 per day for smaller firms.

31. In total, we estimate one-off cost of systems changes at £110,000.

Cost of switching mortgages for firms

32. We expect firms to incur costs in switching mortgages. In CP19/14, we estimated that the costs of switching are up to £1500 per switch. However, given that consumers here will be switching between related entities, we expect the costs to be much lower. We assume that the costs of switching are a maximum of £500 per switch.

33. Within this £500, there is a cost of transferring the charge on the property from the existing provider to the new one. The fees for this transfer are dependent on the size of the transfer but we think in most instances the costs will be below £100 and so small overall.

34. We calculate the overall impact assuming 10-20% of the consumers that could potentially benefit from switching. We estimate the costs of switching for the 10-20% of the consumers that switch would be £1.25m-£2.50m.

35. We would expect most of these costs to be incurred by firms. Some of the costs incurred by firms may be recouped from consumers through fees.

Costs of switching for consumers

36. There will be some costs arising from consumers switching mortgages. Internal switches are relatively straightforward and therefore the time costs for each switch will be relatively low. Given the number of consumers that potentially benefit from any switch (25,000), the costs to consumers of switching mortgages are insignificant.

Ongoing costs

Loss of revenue for firms

37. Consumers switching to lower cost mortgages means that the groups that enable these switches will earn less interest revenue than they otherwise would have received.

38. On average, the saving for a consumer who would benefit from switching is £1,130 per year if they switch to an SVR of 3.35%. We note that some of this reduction in repayments is due to a greater amount of principal repaid when interest rates are lower.

39. If we assume 10-20% of consumers who could benefit from switching do so, then the cashflow losses to firms would be £2.8m-5.6m per year. This will be a transfer from firms to consumers.

Benefits

Reduced mortgage payments

40. The main benefit from our proposals is that consumers may benefit from lower interest costs on their mortgages. These benefits are equal and opposite to the loss of interest payments for the groups affected. That is, on average, consumers that switch would save £1,130 per year and assuming 10-20% of consumers that would benefit from switching would do then consumers would save £2.8-5.6m per year.

Lower levels of defaults

41. As we noted in our section on harm, if consumers pay lower interest payments, they are less likely to get into arrears or default. Both firms and consumers will benefit from lower default rates and the costs that result from arrears and default. There are serious consequences for arrears. These include the psychological impact of arrears and repossession, such as stress and anxiety, as well as financial costs for firms and consumers.

42. We do not think it reasonably practicable to estimate these savings as it is hard to disentangle the extent to which higher interest payments reflect higher risk (ie likelihood of defaults) rather than defaults being caused by higher interest rates. These benefits will be shared between consumers and firms.

> **Q7:** **Do you have any comments on our cost benefit analysis on the proposed rule changes on intra-group switching?**

Proposed guidance on interest-only and part-and-part mortgages

Introduction

43. FSMA mandates the provision of a cost benefit analysis for new rules but not for guidance. It is our policy to produce a cost benefit analysis for general guidance about rules if a high-level assessment of the impact of the proposal identifies an element of novelty which may be in effect prescriptive or prohibitive such that significant costs may be incurred. While we are not proposing general guidance here (as it is not intended to have continuing effect), we consider for this proposed guidance it is nevertheless appropriate to produce a CBA, because of its medium-term and prescriptive nature. We have also had more time to undertake this analysis as there is

longer period of time before our guidance needs to come in to force. We consider the costs are proportionate and likely to be manageable but given the unique challenges presented by coronavirus we are producing a CBA in order to give firms an opportunity to comment.

Problem and rationale for the intervention

44. The economic effects of the coronavirus may affect consumers' ability to repay the capital on interest-only and part-and-part mortgages when they reach maturity. For example, consumers may find it difficult to sell assets to realise the money to pay-off the capital or may have to accept a reduced amount if sold.

45. Additionally, consumers who in normal circumstances would remortgage at maturity of their existing deal may find that they are unable to remortgage as quickly or there are fewer deals for them because suitable mortgage offers have been temporarily removed from the market. The threat of repossession may encourage consumers to sell their property too quickly at a time where it will be difficult to receive fair value on their property.

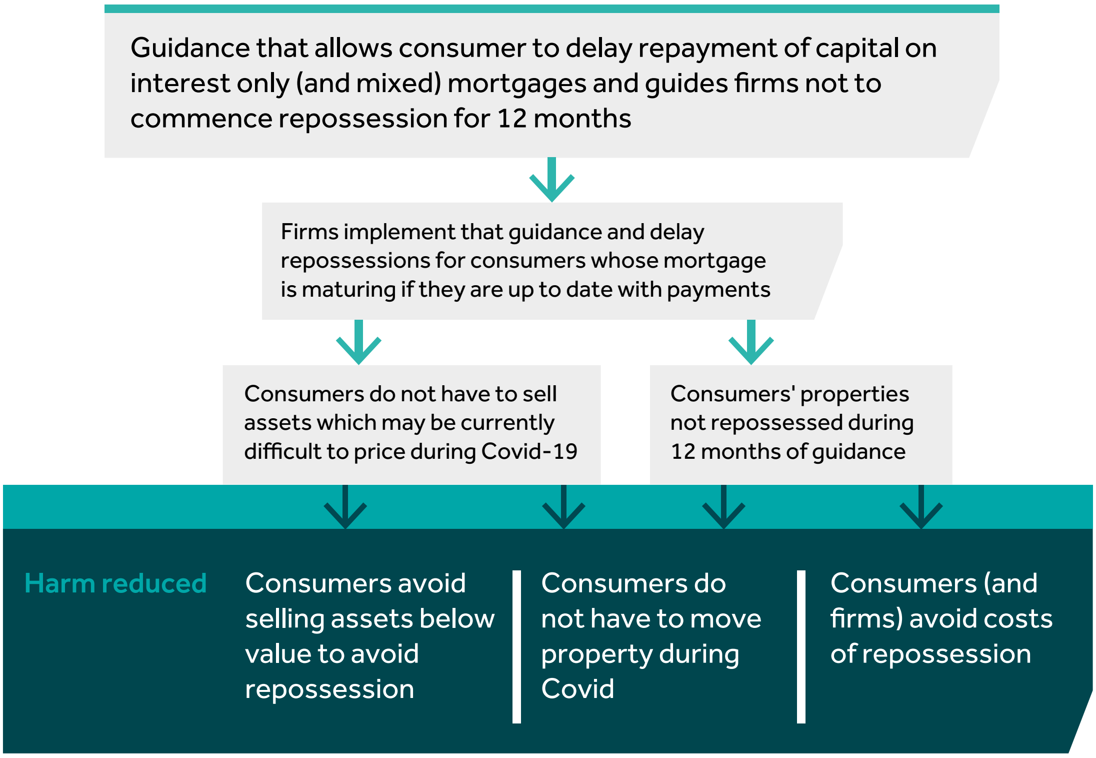
46. If consumers' properties are repossessed, we might expect that during the sale they may not achieve the full value for the consumer. This is because repossessed properties tend to sell for less than comparative properties. This is likely to be especially true in the current economic situation.

47. The problem arises as the choice of repossession by the lender imposes costs (such as legal fees, reductions in sale prices, stress from repossession, etc) on consumers that are not taken into account when choosing whether to repossess or not. This externality may result in too many repossessions and the costs of the repossession on consumers outweighing the benefits to firms that result from capital being repaid on the mortgage.

Our intervention (including causal chain)

48. Our proposal is that firms should allow consumers to delay the repayment of the capital on interest-only and part-and-part mortgages up to 31 October 2021 where they are up-to-date with payments (this includes consumers who have previously taken out, or are still benefiting from, a payment deferral under our temporary guidance on mortgages and coronavirus). In relation to these consumers, firms should not commence repossession actions before 31 October 2021, subject to the borrower continuing to make interest payments. This builds on our existing temporary guidance that prevents repossessions of these and other mortgages until at least the end of October 2020. We are keeping our existing guidance under review.

Figure 2: Causal chain



Baseline and assumptions

Number of relevant maturing mortgages

49. The period of maturing mortgages affected begins on 20 March 2020, when we published our guidance on mortgages and coronavirus, and would end 12 months after we propose introducing this new guidance (ie the end of the 12 months would be on 31 October 2021).

50. We used PSD reporting data to identify the relevant interest only and part-and-part mortgages that have, and will, mature over the period. Over the period that the proposed guidance will be in force, we estimate that around 86,000 consumers will reach maturity, or have recently reached maturity, on their mortgage and hence will potentially be affected by our proposed guidance. The outstanding balances of these mortgages is £13.5bn.

Extent of repossessions

51. There are three groups of consumers that this intervention could affect:

- Those who would be able to repay at maturity yet choose to defer – whilst it is possible that some consumers may choose to defer this, we think it is unlikely that many would do so, because they would otherwise have to continue the interest payments on their mortgage past the due date. We don't consider there is any effect we need to consider here, or at least that it would be reasonably practicable to estimate.
- Those who won't be able to repay at maturity and either:
  - Would have been allowed to go past maturity without repossession– for these consumers, there is no impact from the policy, because the outcome is the same in the counterfactual and with the policy. From UK Finance data (see below) we know many mortgages are allowed to go past maturity

- Would have been repossessed but for the policy – this is the main group of focus for the costs and benefits for consumers and firms that we analyse here.

52. Our existing guidance on repossession of mortgages expires on 31 October 2020. This means that no repossession proceedings should be commenced or continued on mortgages until at least 31 October 2020. We are keeping the guidance under review.

53. In our baseline, absent the intervention, we assume that repossessions delayed by the existing temporary guidance would recommence in November 2020.

54. Prior to the coronavirus crisis, we observe very few interest-only and part-and-part mortgages being repossessed. In 2019, there were only 1,300 repossessions involving interest-only and part-and-part mortgages. Only 165 of these mortgages matured in 2019, indicating that mortgages going past term are not often repossessed within the immediate months after maturity. According to UK Finance, in 2019 there were 32,000 interest-only mortgages past maturity. We consider that under the baseline, due to the current economic situation, there will be an increase in consumers who will face difficulties in repaying the principal, even though they continue to be able to make interest payments.

55. Where consumers are unable to repay the principal at maturity and are in breach of the terms of their mortgage contract, this does not automatically lead to repossession. This is because they would often have their mortgages extended past maturity without any immediate moves to repossession (the second group above in paragraph 51). Indeed, the yearly figures on the number of repossessions of the relevant mortgages here (1,300) and interest-only mortgages past maturity (32,000) suggest that where consumers continue to make interest payments, firms may prefer the mortgage to continue as they face lower risk of losses on these mortgages and they continue to receive interest payments. So, these consumers are unlikely to be affected by the guidance.

56. In addition, in the baseline, during the period of the proposed guidance and due to the impact of the coronavirus on the economy, we would expect to see a significant increase in arrears on mortgages. We expect that firms will prioritise repossession actions for mortgages where no payments are being made. This may be particularly so where firms' ability to apply for repossession, and courts' ability to process them, may be constrained.

57. The final group we consider (the third group above in paragraph 51) are those consumers that would have been repossessed under the guidance but have this repossession delayed or avoided as a result of the guidance. We would expect relatively few repossessions for consumers that reach maturity and continue to make interest repayments.

58. We would expect an increase in the level of repossessions overall, but it is difficult to predict with any certainty what the level would be. We do not think we can predict how firms would approach repossessions in the absence of our guidance. To illustrate the impact of the guidance, we assume a range for consumers whose mortgage is maturing and would have been repossessed. We use an upper bound of 10% of potentially affected consumers. This would be a significant increase over current rates of repossession. It implies of the 86,000 borrowers within the scope of the guidance, around 8,600 mortgage repossessions would be delayed or avoided entirely by the guidance. Additionally, we estimate the impact using the current number of repossessions we observed for interest-only and part-and part-mortgages in 2019, which was 1,300. We consider that these are very high estimates given only 165 mortgages matured and were repossessed last year, and relatively few of these were up to date with payments.

59. On average, the outstanding balance on maturing interest-only mortgages potentially affected by the guidance is £156,000. The average interest rate is 3.0%.

Summary of costs and benefits

60. Table 2 sets out the costs and benefits of our guidance on interest-only and part-and-part mortgages.

Table 2: Summary of costs and benefits

	Costs	Benefits
Firms	Familiarisation costs £35k Delay in repayment of mortgage principals and related administrative burden – Not quantified Additional capital costs from delayed repossessions – Not quantified Penalties foregone – Not quantified Additional interest costs of financing mortgages not repossessed – Not quantified	Additional interest payments on extended mortgages £5.1m-£33.6m Avoidance or delay of repossession costs – Not quantified
Consumers	Additional interest payments on extended mortgages – £5.1m-£33.6m	Avoidance or delay of repossession costs – Not quantified

Costs

61. This section sets out the costs of the guidance for firms and consumers. As the guidance affects a cohort of consumers whose mortgage is maturing, all the costs are one-off in nature as the guidance is temporary and applied to a specific cohort of consumers.

Familiarisation costs

62. We expect firms to familiarise themselves with this guidance. Our guidance applies to firms that have mortgages that are interest-only or part-and-part mortgages on their books or administer mortgages that are interest-only or part-and-part mortgages.

63. We estimate that there are 168 firms affected by the guidance: 27 large firms, 114 medium firms and 27 small firms.

64. We use standard assumptions to estimate these costs (see How we analyse the costs and benefits of our policies). We anticipate that there will be approximately 10 pages of policy documentation that firms will need to familiarise themselves with. Assuming that there are 300 words per page and a reading speed of 100 words per minute, it would take around 30 minutes to read the policy documentation. It is further assumed that 20 compliance staff at large firms, 5 staff at medium firms, and 2 compliance staff at small firms read the document. Finally, the hourly compliance staff salary is assumed to be £59 at large firms, £63 at medium firms, and £45 at small firms, including 30% overheads.

65. Using these assumptions, we expect total one-off industry-wide costs of familiarisation of approximately £35,000.

Interest costs to consumers

66. Consumers who are no longer repossessed at the end of their mortgage term will continue to pay the interest on their mortgages. On average, the outstanding balance on maturing interest-only mortgages potentially affected by the guidance is £156,000. The average interest rate is 3.0%.

67. The guidance will mean delayed repossession for around 10 months on average. The guidance delays repossession for a maximum of a year from the end of the existing guidance preventing repossession, but due to the effect of the initial guidance more consumers benefit from the full year of delay. For this additional period of mortgage payments (10 months), each consumer will, on average, make additional payments of around £3,850. Assuming that 10% of potentially eligible consumers delay their capital repayment as a result of our guidance, consumers overall will make additional interest payments of £33.6m. If we use our lower bound estimate, then we estimate that the interest costs are £5.1m.

68. In practice, we might expect the extent of additional payment to be smaller than this. This is because consumers are required to cover interest until the property is sold via repossession but we would expect properties to sell faster after our guidance has expired as market trends become clearer over time and consumer confidence returns. In May 2020, the RICS UK Residential Market Survey suggests a significant negative outlook for prices and a negative outlook for sales. Over the next 12 months, there is an expectation that sales will pick up. For example, if repossessed properties sell faster following the delay, the delay until sale (where consumers continue to make interest payments) may not be as much as 10 months and therefore the additional interest payments may be less than estimated.

Costs of delaying repossession

69. Delaying repayment of capital or repossession could expose the borrower to further risk, for example should there be further market disruption at the time at which capital falls to be repaid after the delay. We do not think it is reasonably practicable to estimate these costs as we are unable to predict how asset prices may change over the next 12 months.

Impact on firms

70. Firms that are prevented from repossessing properties will face a delay in repayment of the mortgages. We don't know exactly the number of capital repayments that will be delayed because we can't be certain of the level of take-up of the guidance as little is known about consumers' repayment strategies and how they have been impacted by the crisis. Assuming again that for between 1,300 and up to 10% (8,600) of affected mortgages the repossession would be delayed by on average of 10 months, this would delay the repayment of the principal to firms of £203.3m-£1.35bn (which is the approximate total outstanding balance of 1,300- 8,600 loans).

71. This is a relatively small amount of the overall outstanding balance of interest-only and part-and-part mortgages. The balances where repayment after repossession is delayed (between 1,300 and up to 8,600) represent between around 0.08-0.5% of all outstanding balances on interest-only and part-and-part mortgages in 2019 (including mortgages maturing over the period of the guidance). We would not expect this delay to materially affect firms' financial position. This is because these mortgages tend to make up a very small proportion of the affected firms mortgage books. Where the affected mortgages are a higher proportion of interest-only and part –and-part mortgage books, this is where the overall mortgage book is very small. Even then, we

would not expect our guidance to affect the outcomes for most of the mortgages in these books. Even where 50% of a mortgage book is potentially affected, only 10% of these mortgages (or 5% overall) would have repossession delayed by our guidance.

72. However, the delay in repossessions may have an impact on firms' capital positions as past term interest-only mortgages that are 90 or 180 days past due should be treated as in default. There will be a cost associated with this. We think this is unlikely to represent a significant additional cost given the relatively small number of mortgages expected to be affected by the guidance and the limited period for which the guidance applies.

73. Firms will need to finance this extended borrowing and there will be an opportunity cost to firms, but they will have the cost of this lending paid for by continued interest payments. We expect that, in most cases, the interest costs of any financing are below the interest rates charged on the mortgages where repossession is delayed or term is extended.

74. We might expect that there will be some small additional administrative burdens that fall on lenders or administrators from delaying repossession and enabling consumers to continue to make interest payments following maturity. We expect that these costs will be relatively small as only a relatively small number of mortgages are affected, and firms will already have systems in place to enable repayments to be made post-maturity.

75. There may also be costs to firms from any foregone fees and charges that firms may have sought to collect when the customer does not redeem the mortgage by the maturity date as the proposed guidance prevents these fees from being applied. We don't know whether and how many contracts seek to provide for these types of fees and charges and, while we think these costs are likely to be small overall, we do not consider it is reasonably practicable to estimate them.

Benefits

76. Delaying repossession will mean consumers do not have to sell their property or assets, and can choose to continue making interest payments instead. They can therefore avoid any losses that may arise if they have to sell their assets below the price they might receive when there is more certainty about the economic outlook.

77. Repossession leads to costs such as legal costs, estate agents' costs and bills for repairs and maintenance that are borne by the borrower once the property is sold. Most of these costs will be incurred by the firms but passed on to consumers in a reduction of the balance repaid to consumers following repossession and sale. Firms only bear these costs if there is not enough equity left following the sale to cover the costs (and cannot recover the remainder from the consumer). Our guidance may prevent some of these costs from arising if repossessions are avoided completely but these costs may be reduced even if repossession is merely delayed. For example, repossessed properties may sell more quickly at end of the guidance period or at a better price.

78. Finally, consumers who are forced to move following a repossession may end up renting their accommodation. We would expect that the costs of renting would in most cases be higher than the interest costs on the mortgage. Consequently, the guidance provides benefits to consumers from lower costs of housing.

79. We do not think it is reasonably practicable to estimate the benefits of the guidance as the benefits depend on the extent to which consumers' capital repayment plans are affected by the developing economic situation and how they recover over the period of the guidance. Additionally, it is not reasonably practicable to predict how firms would approach repossessions in the absence of our guidance.

Q8: **Do you have any comments on our cost benefit analysis on the proposed guidance on interest-only and part-and-part mortgages?**

Annex 3
Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by s.138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is (a) compatible with its general duty, under s.1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and (b) its general duty under s.1B(5)(a) FSMA to have regard to the regulatory principles in s.3B FSMA. The FCA is also required by s.138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s.1JA FSMA about aspects of the economic policy of Her Majesty's Government to which we should have regard in connection with our general duties.

5. This Annex includes our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objective of consumer protection, by:

- Reducing the regulatory barriers for some consumers in closed books switching to a new mortgage deal, with the aim of reducing the financial impact of higher mortgage payments on these consumers.
- Ensuring that consumers' properties are not repossessed where they might otherwise struggle to realise their capital repayment strategy on their mortgage or attain poor value from the sale of their property in adverse market conditions.

8. We also consider that these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well.

9. The proposed rule change aims to remove a potential regulatory barrier that could unnecessarily prevent closed book consumers from switching to other lenders within their group and thus accessing potentially more affordable deals. It should thus reduce the time and cost of switching for both closed book consumers and the firms within their group with whom they are remortgaging, and enable more of these consumers to switch. So, it will help ensure that the mortgage market functions well for these closed book consumers.

10. The proposed guidance seeks to ensure that firms and consumers are not negatively impacted as a result of realising repayment strategies or attain poor value when needing to repay the capital on their mortgage in adverse, and unique market conditions. So, it will help mitigate the impact of these unique market conditions on consumers with a maturing interest-only or part-and-part mortgage by allowing market conditions to stabilise and allowing assets to realise their expected market value. At the same time the proposal seeks to ensure the burden on firms is proportionate by limiting eligibility to those customers who are and remain up to date with interest payments.

11. For the purposes of the FCA's strategic objective, 'relevant markets' are defined by s.1F FSMA.

12. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA.

The need to use our resources in the most efficient and economic way

13. We limit the burden on FCA resources by ensuring that our work is co-ordinated. Implementing these proposals will require us to introduce new rules and guidance. These rules will require supervision and enforcement, but we have assessed they would not require additional FCA resourcing.

The principle that a burden or restriction should be proportionate to the benefits

14. Our proposals are proportionate. Consumers in closed books who are up-to-date with payments may lack switching options. Our proposals aim to reduce barriers to switching for some of these consumers without placing an undue burden on lenders.

15. Borrowers with interest-only and part-and-part mortgages could see their plans to repay the capital on their mortgages frustrated by the coronavirus crisis. By giving those consumers who are up-to-date with payments the option to delay repayment we are giving these consumers flexibility and reducing the risk of harm, whilst maintaining firms' income streams.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

16. Our proposals reduce barriers to switching in the mortgage market. Allowing consumers to repay the capital on their mortgage at a more suitable time reduces harm to consumers from increased indebtedness and/or repossession. This will support sustainable growth in the mortgage market.

The general principle that consumers should take responsibility for their decisions

17. We are taking action to support consumer options to switch and to support consumers making capital repayment decisions at a time more suited to their needs (while ensuring firms give them adequate information on the implications of their choice). Our proposals seek to encourage consumers to make informed choices.

The responsibilities of senior management

18. Senior managers will need to ensure compliance with our new proposed rules in the same ways as they do for other rules in our Handbook and guidance under our Principles.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

19. We recognise that firms have different business models. Firms can choose whether or not to make use of our proposed rule changes. We recognised that there are reasons why they might choose not to do so, including because of their own objectives. We believe that our proposed guidance should be applied consistently and have taken account of the need to ensure that this takes place in our draft guidance.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

20. Our proposals are compatible with this principle.

The principle that we should exercise of our functions as transparently as possible

21. In developing these proposals, we have taken account of feedback from stakeholders on other consultations and in other settings. We are now consulting on our draft rules and guidance, and publishing our CBA of the proposals.

Financial crime implications

22. In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA). We do not believe that there are financial crime implications present in either of these proposals.

Expected effect on mutual societies

23. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies.

Compatibility with the duty to promote effective competition in the interests of consumers

24. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers. We do not expect that our proposed rule change on intra-group switching will directly lead to increased competition across the market. However, it will mean that different entities in the same group can offer deals to the same closed book customer which would not be inconsistent with promoting effective competition. Therefore, we believe that it would not be harmful to competition in the market.

25. We do not expect that our proposed guidance on interest-only and part-and-part mortgages will directly lead to increased competition across the market. The proposed guidance would allow borrowers whose repayment plans have been frustrated by the coronavirus crisis the option of delaying repayment of the capital on their mortgages until 31 October 2021. We believe that this would not be inconsistent with promoting effective competition. So, we believe that it would not be harmful to competition in the market.

Equality and diversity

26. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.

27. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in paragraph 2.21 of the Consultation Paper.

Annex 4
Abbreviations used in this paper

CP	Consultation Paper
CRR	Capital Requirements Regulation
FCA	Financial Conduct Authority
FG	Finalised Guidance
FSMA	Financial Services and Markets Act 2000
MCD	Mortgage Credit Directive
MCOB	the Mortgages and Home Finance: Conduct of Business Sourcebook (FCA Handbook)
MMR	Mortgage Market Review
MMS	Mortgage Market Study
Part-and-part mortgage	a mortgage which is part capital repayment and part interest-only

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

Appendix 1
Draft guidance

1. This guidance applies to mortgage lenders and mortgage administrators.

2. This guidance applies in the exceptional circumstances arising out of coronavirus (Covid-19) and its impact on the financial situation of customers with interest-only and part-and-part mortgages.

3. This guidance comes into force on 31 October 2020 and expires on 31 October 2021. We will keep the guidance under review.

4. This guidance builds on Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly'), Principle 7 ('A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading') and MCOB 2.5A.1R ('A firm must act honestly, fairly and professionally in accordance with the best interests of its customer'). It is potentially relevant to enforcement cases and the FCA may take it into account when considering whether it could reasonably have been understood or predicted at the time that the conduct in question fell below the standards required by Principle 6, Principle 7 and MCOB 2.5A.1R. A firm is likely to contravene these rules if it acts in a manner inconsistent with this guidance.

5. Where there has been an assignment of the rights under the mortgage contract to a non-authorised person, the person must still comply with general consumer protection law including the Consumer Protection from Unfair Trading Regulations 2008. A commercial practice may be unfair under those Regulations if (among other things) it contravenes the requirements of professional diligence. Professional diligence means the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers. The guidance below is intended to describe the standards of skill and care we consider may reasonably be expected of lenders in the mortgages market in the current exceptional circumstances of coronavirus. If, therefore, a lender does not follow this guidance, that could call into question whether it is meeting the requirements of the 2008 Regulations, even if the lender is not regulated under FSMA.

6. If you have any questions or concerns about this guidance, contact us.

Treatment of interest-only and part-and-part mortgage customers

7. This guidance applies in respect of interest-only and part-and-part mortgages (ie a mortgage which is part capital repayment and part interest-only) with maturity dates between 20 March 2020 and 31 October 2021 ('relevant mortgages').

8. Customers with relevant mortgages may find that their repayment strategy, or ability to form such a strategy, has been impacted by the unique combination of challenges presented by Covid-19 and the associated steps taken to contain the virus (for example, short to medium-term disruption in the property markets resulting from government lockdown measures). While the long-term economic effects of Covid-19 are yet to be determined, the period in which there could be market impact on customers' repayment strategies may be temporary.

9. Therefore, where a customer has a relevant mortgage and is up to date with their mortgage payments, firms should allow them the flexibility to delay the repayment of any capital on their mortgage until at least 31 October 2021.

10. A customer that has made use of a payment deferral, granted under our temporary guidance on mortgages and coronavirus, is considered as being up-to-date with mortgage payments. These payment deferral arrangements may provide for capitalisation over the remaining term of the mortgage or a reasonable extension of the term alongside capitalisation (unless this would take the customer past retirement).

11. If a customer fails to make interest payments after agreeing a delay to the capital repayment, this guidance will no longer apply. However, firms are reminded of our rules and the guidance in MCOB 13 and the more general obligation to treat customers fairly under Principle 6 (and can continue to offer flexibility to customers who are not up-to-date with payments, where this is consistent with their best interests).

12. Firms should not charge any additional fees as a condition of offering a delay to the capital repayment. Interest may continue to be charged at the rate charged pre-maturity (or lower). Where this rate is the firm's standard variable rate, payments may be varied in accordance with changes to this rate.

Part-and-part customers – specific issues

13. Firms should allow eligible part-and-part customers who will have repaid the capital on the capital repayment part of their mortgage upon maturity, to:

- make interest payments on the interest-only part of their mortgage only; or
- make payments of both interest and capital on the outstanding interest-only part of their mortgage.

14. If an eligible part-and-part customer has not repaid the capital part of their mortgage because of a payment deferral, the firm should reach agreement with the customer on the payment of the outstanding capital amount and any deferred interest. For example, the amount could:

- be repaid separately to the interest on the interest-only part of the mortgage; or
- be capitalised to the interest-only part of the mortgage.

Implementation of this guidance

15. Firms should promptly contact all customers able to take advantage of the flexibility offered by the guidance. Where the mortgage has yet to mature this contact should be made a reasonable period in advance.

16. Before arranging the delay to the capital repayment, firms should give eligible customers appropriate information and support to understand the implications of delaying the capital repayment, including the continuing obligation to make regular interest payments for the period of the delay to the capital repayment.

17. This should include:

- providing personalised information on the level of interest payment they will need to maintain; and
- making clear to customers that:

  a. while the decision on whether to defer the repayment of capital is ultimately theirs, where their plans for repayment of the capital are unaffected by the coronavirus crisis it is likely to be in their best interests to repay;
  b. choosing to delay repayment of capital could expose the customer to further risk, for example should there be further market disruption at the time at which capital falls to be repaid; and
  c. the delay to the capital repayment may only apply while the customer continues to make interest payments.

- the delay to the capital repayment may only apply while the customer continues to make interest payments.

Credit Reference Agency reporting

18. We understand that industry practice is to report on past-term customers who continue to make interest payments as up-to-date, with arrears reported where payments are not made. For customers who continue to make interest payments in accordance with this guidance, given the exceptional circumstances arising out of Covid-19 we would expect them to continue to be reported as up-to-date, with no other negative reporting to credit files (eg arrangement flag/status).

Appendix 2
Draft Handbook text

MORTGAGES (INTRA-GROUP SWITCHING) INSTRUMENT 2020

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the "Act"):

(1) section 137A (General rule-making power); and
(2) section 137T (General supplementary powers).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Mortgages (Intra-Group Switching) Instrument 2020.

By order of the Board
[*date*] 2020

Annex

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

11 Responsible lending, and responsible financing of home purchase plans

…

11.6 Responsible lending and financing

…

11.6.3 R (1) *MCOB* 11.6.2R does not apply to:

(a) entering into a new *regulated mortgage contract* or *home purchase plan* as a replacement for an existing *regulated mortgage contract* or *home purchase plan* between the *customer* and the *firm* (either as the original *mortgage lender* or *home purchase provider* or as the transferee of the existing contract), whether or not the new contract relates to the same property; ~~or~~

(aa) entering into a new *regulated mortgage contract* as a replacement for an existing *regulated mortgage contract*, whether or not the new contract relates to the same property, where the original *mortgage lender* (or, where the existing contract has been transferred, the transferee):

(i) is not entering into *regulated mortgage contracts* with new *customers*; and

(ii) is in the same *group* as the *mortgage lender* under the new contract; or

…

Pub ref: 00114

FINANCIAL
CONDUCT
AUTHORITY

12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk