

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

1 May 2020

Letter to mortgage lenders and administrators managing closed mortgage books

In view of the financial challenges facing some mortgage borrowers as a result of coronavirus (Covid 19), we are asking firms with customers who took out mortgages with higher risk characteristics before the financial crisis to review the interest rates charged to such customers as a matter of urgency. This is to ensure that, in line with our Handbook requirements such as PRIN 6 and MCOB 12.5, customers on variable rates of interest are being treated fairly.

If your firm has not already done so, they should review their rates to consider whether they are consistent with the obligation to treat customers fairly in the light of the exceptional circumstances arising out of coronavirus. Firms should also ensure that they do not pose unjustifiable burdens, especially on customers who may be experiencing temporary payment difficulties or may not be able to switch to another lender.

Where your firm holds the power to set rates for mortgages you administer, you should ensure your exercise of that power is consistent with your duty to treat customers fairly.

Where the responsibility for setting rates is with an unauthorised firm you should draw their attention to this letter. Such firms must still comply with general consumer protection law including the Consumer Protection from Unfair Trading Regulations 2008. We consider that the standards of skill and care that may reasonably be expected of lenders in the mortgages market in the current exceptional circumstances arising out of coronavirus include reviewing their variable rates in the manner set out in this letter.

If applicable, as a result of receiving this letter we expect lenders to critically review their variable rates of interest against their funding costs, contracts terms and any other factors that may apply and take any necessary action. You should expect to be able to supply written support to justify the rates your firm charge on demand.

We do not expect a reply to this letter but will be undertaking follow up in the coming weeks to assess how relevant firms have responded to this request and will take action where we believe customers are not being treated fairly.

Jonathan Davidson
Executive Director of Supervision- Retail and Authorisations.