FS 20/18 Consumer credit and coronavirus: Updated Payment Deferral and Tailored Support Guidance for firms - Feedback on draft guidance

November 2020

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1 Summary

1.1 The effects of the coronavirus (Covid-19) pandemic are profound, and have been felt within every industry, affecting millions of consumers and businesses. In the past months, we have intervened to support both consumers and businesses during this period of uncertainty.

1.2 In April 2020, we published temporary guidance on personal loans, credit cards (including retail revolving credit), motor finance, rent to own (RTO), buy-now pay-later (BNPL), pawnbroking and high-cost short-term credit; we updated this guidance in July (the July guidance). This guidance set out how we expected firms to support consumer credit customers who were facing temporary payment difficulties because of the exceptional circumstances arising out of coronavirus. This temporary support was delivered primarily through the provision of payment deferrals.

1.3 The guidance was designed to enable firms to act quickly to deliver immediate and temporary support to their customers, at unprecedented scale, as the coronavirus pandemic and the Government's response to it evolved. This temporary support was designed to help consumers bridge the crisis and get back to a more stable financial position. This guidance largely expired on 31 October 2020.

1.4 In September 2020, we published additional guidance (now referred to as 'the Credit Tailored Support Guidance') setting out the tailored support that firms should provide to customers facing payment difficulty as a result of coronavirus. The Credit Tailored Support Guidance applied to customers who had been granted payment deferrals under the July guidance and remained in payment difficulties, as well as those newly affected by coronavirus after payment deferrals were no longer available under the July guidance. We explained that we would keep this guidance under review and consider updating, amending or providing new guidance if required.

1.5 On 31 October 2020, we indicated our intention to consider extending the availability of payment deferrals as a result of increasing Government restrictions in response to coronavirus.

1.6 We said we would work with trade bodies and lenders on how to implement these proposals as quickly as possible and published draft guidance with our proposals for comment on 4 November. Our proposals comprised updates to the July guidance and to the Credit Tailored Support Guidance. They also involved disapplying certain rules in the Consumer Credit sourcebook (CONC) to facilitate implementation of the Credit Payment Deferral Guidance.

1.7 We have updated the July guidance documents listed below which are now referred to collectively in this feedback statement as the 'Credit Payment Deferral Guidance':

- Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance
- Personal loans and coronavirus: Payment Deferral Guidance
- Motor finance agreements and coronavirus: Payment Deferral Guidance

- Rent-to-own, buy-now pay-later and pawnbroking agreements and coronavirus: Payment Deferral Guidance

- High-cost short-term credit ('HCSTC') agreements and coronavirus: Payment Deferral Guidance

1.8 We wanted to act quickly to protect consumers in these difficult times and provide clarity to firms so that they could provide consumers with appropriate support. For that reason, we did not formally consult on the proposals or produce a cost benefit analysis. To do this would have caused a delay that would have been prejudicial to the interests of consumers. However, we invited comments on our proposals and received 26 responses from a range of consumer organisations, firms and trade bodies. Most respondents supported our proposals. This feedback statement summarises the feedback we received on our proposals and our response.

1.9 The updated guidance advances our consumer protection objective and is designed to protect consumers by providing them with ongoing support in the light of the current exceptional circumstances. In developing the policy and considering responses, we have had regard to our consumer protection objective, and our market integrity and competition objectives, in particular in considering the different impacts on firms of the proposals.

1.10 We do not consider our guidance will adversely affect consumers with protected characteristics under the Equality Act 2010.

Summary of changes to the Credit Payment Deferral Guidance and Credit Tailored Support Guidance

1.11 We are now publishing our final guidance subject to several changes. These include amendments to clarify:

- the relationship between the Credit Payment Deferral Guidance and the Credit Tailored Support Guidance, and when firms should follow each;
- the scope and application of the Credit Payment Deferral Guidance and Credit Tailored Support Guidance;
- when firms should offer payment deferrals, including to those customers who have already taken payment deferrals under our previous guidance and those who are experiencing payment difficulties as a result of coronavirus and need support for the first time; and
- our expectations of firms in relation to repossessions activity in respect of customers who experience payment difficulties as a result of coronavirus.

1.12 We have also made several other clarificatory amendments principally to address technical comments made by respondents.

1.13 The guidance affects firms providing consumer credit products within the scope of the Credit Payment Deferral Guidance.

Next steps

1.14 The Credit Payment Deferral Guidance, Credit Tailored Support Guidance and Credit Instrument, which makes certain rule dis-applications, come into force on 25 November 2020. But we encourage firms to consider how they can best support their customers at this time, and to follow this guidance earlier than 25 November where they are able to. This may help to limit the number of cases of customers dealt with since 31 October whose outcomes will need to be reviewed in line with the relevant expectations set out in the 'Commencement, expiry and transitional provisions' of the Credit Payment Deferral Guidance (for example paragraph 1.23 of the Credit Payment Deferral Guidance relating to Personal Loans).

1.15 For the period 19 November 2020 to 25 November 2020, we encourage firms to act in line with this guidance, notwithstanding that the associated CONC 6 and 7 handbook rules which are subject to rule modifications are not yet technically in force.

1.16 The Credit Payment Deferral Guidance (except high-cost short-term credit) generally expires on 31 July 2021 except that firms should continue to act in accordance with this guidance (excluding sections 2 (Eligibility for payment deferrals) and 3 (Giving customers payment deferrals)) for those customers who have a payment deferral but who have not been dealt with under the relevant parts of the guidance by that date. This guidance (excluding sections 2 and 3) remains in force to the extent necessary to enable this.

1.17 This means, for example, that firms should continue to act in accordance with the section titled 'Dealing with customers at the end of a payment deferral period' for all customers who have had a payment deferral but who have not been dealt with under that section by that date. Payment deferrals should not be given under the Credit Payment Deferral Guidance in respect of payments falling after 31 July 2021.

1.18 The Credit Payment Deferral Guidance relating to high-cost short-term credit expires on 31 March 2021 but remains in force to the extent necessary to enable firms to deal with customers under relevant parts of that guidance after that date.

1.19 The Credit Tailored Support Guidance remains in force until varied or revoked.

2 Key issues and our response

General

2.1 Most respondents were supportive of our proposals to extend the availability of payment deferrals for a further period.

2.2 Industry respondents generally felt that both sets of draft guidance (Credit Payment Deferral Guidance and Credit Tailored Support Guidance) would enable firms to support customers quickly, effectively and within firms' current operational processes. However, a few industry respondents felt that existing forbearance requirements in CONC and the Credit Tailored Support Guidance offered all the tools required to provide help to customers in payment difficulties because of coronavirus and did not consider it necessary to extend the availability of payment deferrals.

2.3 Overall, consumer bodies were supportive of the provision of further prompt measures to support customers experiencing payment difficulties as a result of coronavirus. However, all but one raised concerns about our proposal to prevent further payment deferrals for customers who had been able to resume repayments after their initial payment deferral but who were suffering further payment difficulties because of coronavirus. This concern was also expressed by some industry respondents.

2.4 Many respondents noted that there were some differences between our proposals on mortgages and consumer credit. Some felt that it was right for our approach to reflect differences between these products and markets, while others felt there was a need to align approaches to avoid consumer confusion. We have published separately the finalised guidance and feedback statement on mortgages.

2.5 Some respondents requested further clarity on the approach to eligibility for payment deferrals.

2.6 We set out below the key issues raised by respondents and our responses.

Non-continuous payment deferrals

2.7 We proposed (except for high-cost short-term credit) to reintroduce the option for customers to request up to 2 consecutive payment deferrals of up to 3 months each (making a total of up to 6 months). Our proposals applied to customers who had not yet benefitted from a payment deferral under our July guidance and those whose initial payment deferral would come to an end after 31 October 2020. This meant that customers who had already benefitted from an initial payment deferral that ended before 31 October 2020 and resumed payments would not be eligible to apply for a further payment deferral under the Credit Payment Deferral Guidance. They would instead be offered support under our Credit Tailored Support Guidance if they fell back into coronavirus related payment difficulties.

Issues raised

2.8 Many respondents (both industry and consumer bodies) expressed concern about this approach. They argued that customers who had benefitted from an initial payment deferral (of less than 6 months) that had come to an end should be able to apply for further payment deferrals under our Credit Payment Deferral Guidance. Respondents felt our proposals could unfairly penalise customers who were able to resume payments after an initial payment deferral, demonstrating a commitment to pay down their debt for as long as they were able to.

2.9 An industry body asked for greater flexibility to grant non-continuous payment deferrals to these customers. But they suggested that this should not be a requirement under the guidance given the potential operational complexities some firms might face, but rather an option for firms to consider.

Our response

2.10 The intention of our proposal was to encourage firms to offer customers, who had benefitted from an initial payment deferral of less than 6 months, tailored support reflecting their individual circumstances. But we recognise that customers who have managed to get back on track after a payment deferral of less than 6 months and then been impacted once again may benefit from further payment deferrals.

2.11 We have therefore amended the Credit Payment Deferral Guidance to set out an expectation that firms should grant further payment deferrals where a customer has resumed payments after the initial payment deferral. This is (except for high-cost short-term credit) subject to a maximum total payment deferral period of 6 months, including the initial deferral period. In line with our existing approach, firms should not grant a payment deferral where it would obviously not be in the customer's interests – instead, these customers should be given support which reflects their individual circumstances under our Credit Tailored Support Guidance.

2.12 Where a customer is being provided with tailored support by their lender after an initial payment deferral, firms should not grant a further payment deferral under the Credit Payment Deferral Guidance. We consider that these customers will benefit from support which reflects their individual circumstances under our updated Tailored Support Guidance.

Length and number of payment deferrals

2.13 We proposed (except for high-cost short-term credit) to set out an expectation that firms grant customers who had not previously benefitted from a payment deferral and who were in temporary financial difficulties because of coronavirus an initial payment deferral for 3 months unless it was obviously not in the customer's interest to do so. Firms were also expected to grant a further payment deferral for 3 months if a customer was still experiencing temporary payment difficulties after the initial payment deferral again unless it was obviously not in the customer's interest to do so.

Issues raised

2.14 Both industry and consumer body respondents felt that the number of payment deferrals offered under the Credit Payment Deferral Guidance should not be limited to a maximum of 2. This was because it would prevent customers from receiving 6 months of deferred payments where they had previously been granted 2 deferrals, at least one of which was for less than 3 months. Some industry respondents stated that they had interpreted our previous guidance as allowing multiple payment deferrals providing this did not exceed the overall maximum of 6 months in total.

Many respondents suggested that the Credit Payment Deferral Guidance should be amended to only set a maximum payment deferral period of 6 months, without setting a limit on the number of payment deferrals that make up this total.

2.15 One respondent felt that no limits should be placed on the availability of payment deferrals or their total duration. They did not believe our approach was sufficiently flexible to deal with the evolving pandemic.

Our response

2.16 Although our intention was that firms should give eligible customers payment deferrals of up to 6 months in total, we acknowledge that the effect of limiting the number of payment deferrals to 2 meant that some eligible consumers would be unable to get 6 months of payment deferrals.

2.17 We have therefore amended our Credit Payment Deferral Guidance (except high-cost short-term credit) to set out our expectation that firms should give eligible customers any number of payment deferrals, but each payment deferral should be a maximum of 3 months in length and subject to a maximum cumulative total of 6 months. As set out in more detail in the section below on 'Deadline for applying for payment deferrals', firms should not give a first or non-continuous further payment deferral after 31 March 2021. Firms should also not give payment deferrals that extend beyond 31 July 2021.

2.18 We still consider the 6-month maximum to be appropriate given that consumers will be less likely to recover their position the longer payments are deferred. Once a customer has had 6 months' payments deferred, or the firm has determined that a deferral would obviously not be in the customer's interests, and the customer still requires support, we expect firms to follow our Credit Tailored Support Guidance. This requires firms to take account of customers' circumstances when determining the appropriate forbearance option. Under the Credit Tailored Support Guidance, where a customer enters into a forbearance arrangement with a firm, depending on what they can afford to repay, the firm may be expected to waive, reduce or suspend interest and charges as necessary to prevent a customer's balance from escalating during the period of tailored support.

2.19 In respect of BNPL products, where a customer is granted a payment deferral while their balance was in the promotional period and a further payment deferral during a non-promotional period, the overall cumulative deferrals should not exceed 6 months.

2.20 Pawnbroking customers who have moved from the redemption period to any of the post-redemption period stages after the end of a payment deferral should still be able to benefit from a further deferral if appropriate. However, the customer's overall cumulative duration of deferrals should not exceed 6 months.

2.21 In the above two scenarios, there is no expectation that firms would reinstate the promotional or redemption periods where these have ended before the further deferral is given.

Deadline for applying for payment deferrals

2.22 Our July guidance allowed customers in temporary payment difficulties because of coronavirus to apply for a payment deferral until 31 October 2020 (meaning the last 3-month payment deferrals would finish on 31 January 2021). We proposed to extend the expiry date to apply for a payment deferral to 31 January 2021. This meant that customers who were newly impacted had until 31 January 2021 to apply for an initial payment deferral of up to 3 months, with the firm expected to consider extending this for up to a further 3 months. Under our proposals, high-cost short-term credit customers had until 31 January 2021 to apply for a payment deferral of 1 month.

Issues raised

2.23 Some respondents questioned the inconsistency between customers newly impacted by coronavirus, who could potentially benefit from support under the Credit Payment Deferral Guidance until 31 July 2021, and those who had previously had an initial payment deferral, who could potentially only benefit from further support under that guidance until 31 January 2021. They felt that there should be a single end date (of 31 January 2021) for all payment deferrals after which all customers still in payment difficulties because of coronavirus should be offered a longer-term solution instead of payment deferrals. A few respondents expressed concern that the effect of our draft guidance would mean firms having to maintain two different end dates (of 31 January and 31 July) and this could lead to operational challenges for firms.

2.24 A few respondents asked for clarity on how the 31 January 2021 date should be applied. For example, they asked whether a customer who applied for their first payment deferral in January 2021 would be eligible to apply for a second payment deferral under the guidance. They also asked whether the deadline date of 31 January 2021 was absolute for all customers under the guidance.

2.25 A few other respondents did not think that the effect and application of the 31 January 2021 date was set out clearly enough.

2.26 Other respondents queried why payment deferrals could potentially last beyond 30 April 2021 given that the guidance was aimed at supporting customers experiencing short term payment difficulties because of coronavirus.

2.27 One respondent expressed concern that the date of 31 January 2021 could lead to perverse incentives where consumers indulged in overspending during the Christmas holiday season. They suggested an earlier cut-off date of 31 December 2020 to mitigate this risk.

Our response

2.28 As customers are likely to be impacted by effects of the coronavirus pandemic for longer, as recognised by the Government’s extension of the furlough scheme, we believe customers may need support under our Credit Payment Deferral Guidance for longer. In light of this and our revised position to increase the flexibility of payment deferrals (to allow for non-continuous payment deferrals for customers who have resumed payments after a payment deferral), we have extended the deadline for applications to ensure that customers have more flexibility as to when to apply for a further payment deferral.

2.29 We have therefore extended the deadline by which customers need to apply for a first or non-continuous further payment deferral to 31 March 2021. We have also made clear that firms should not give payment deferrals that extend beyond 31 July 2021. Firms should only give payment deferrals after 31 March 2021 where they immediately follow earlier payment deferrals.

2.30 The practical effect of these dates is as follows:

- Customers can apply for an initial payment deferral until 31 March 2021 but depending on when they apply, may not be able to obtain the maximum 6 months as firms should not give payment deferrals in respect of payments due after 31 July 2021. This means that customers who are newly impacted by coronavirus, and who want to be considered for up to 6 months of payment deferrals, should apply in good time before their February 2021 payment is due.
- Customers who have benefitted from deferrals of less than 6 months in total and subsequently resumed payments also have until 31 March to apply for a further deferral.
- Customers who have a deferral that covers payments beyond 31 March may have these extended after 31 March 2021 to cover payments up to and including July 2021, provided these deferrals cover consecutive payments, subject to the maximum allowed. For example, subject to an overall maximum of 6 months:
  - a customer who had a payment deferral deferring 3 payments falling due on the first day of February, March and April may apply for a further deferral after 31 March 2021 for up to a further 3 months, deferring their payments falling due on the first day of May, June and July;
  - a customer who had, on or before 31 March, a payment deferral deferring 2 payments falling due on 31 March and 30 April may apply for a further deferral after 31 March for a further 1, 2 or 3 months, deferring their payments falling due on 31 May, 30 June or 31 July.

2.31 Although non-continuous payment deferrals are permitted up to 31 March, they are not permitted after the 31 March deadline.

2.32 In respect of high-cost short-term credit, customers have until 31 March to apply for a payment deferral. Given the short-term nature of these products, we have retained the limit from the July guidance of a single deferral of one month (during which any interest that would not have accrued but for the payment deferral should not be charged). The Credit Payment Deferral Guidance for high-cost short-term credit customers will therefore largely expire on 31 March 2021. This means it will not be possible for customers to apply for a payment deferral after that date.

2.33 Where a BNPL or pawnbroking agreement is within the promotional or redemption period, payments will not fall due until the end of those periods. We expect payment deferrals on such agreements to be implemented by extending these periods. In some cases, we recognise that this could mean that payments do not fall due until after 31 July 2021. Firms should, of course, observe our limitations relating to the giving of payment deferrals.

2.34 The Credit Payment Deferral Guidance covering BNPL agreements sets out our expectation around how the interest waiver applies in respect of BNPL agreements in the promotional period at the point contractual payments fall due after a payment deferral has ended. In practice, this will be after the additional period by which the promotional period was extended when the firm implemented the payment deferral. It is the additional interest that accrued during the period by which the promotional period was extended which should be waived, rather than that attributable to the period immediately after the deferral was granted. For example, if a customer with a BNPL agreement with a 12-month promotional period is given a 3-month deferral after month 6 of the agreement, the promotional period would end and payments fall due after month 15. If at that point the customer is eligible for help under the Tailored Support Guidance, the firm should waive the additional interest attributable to months 13, 14 and 15.

Credit Reference Agency (CRA) reporting

2.35 We proposed that firms should not report payment deferrals agreed under the Credit Payment Deferral Guidance as missed payments but that they should resume normal CRA reporting at the end of payment deferrals, including where support was provided under the Credit Tailored Support Guidance. The effect of the proposal was to extend the period over which missed payments were not reported to some customers' credit files from 31 January 2021 (under our July guidance) until 31 July 2021.

Issues raised

2.36 Respondents generally agreed that payment deferrals agreed under the Credit Payment Deferral Guidance should not be reported as missed payments to credit files. Industry representatives emphasised the importance of resuming accurate and consistent CRA reporting to help ensure responsible lending decisions, but some also wanted to retain flexibility to offer payment deferrals on similar terms to those provided under our July guidance, including not reporting missed payments to credit files.

2.37 Some trade bodies highlighted the increased risks of extending the period of 'masking' credit files, and that this would further impact the integrity of data held by CRAs. One consumer group suggested that all forms of forbearance provided to consumers during the pandemic should be 'masked' from credit files over an extended period.

Our response

2.38 The suspension of normal CRA reporting was an exceptional temporary measure. We recognise the concerns raised and that this approach cannot continue indefinitely as accurate CRA reporting is crucial to ensuring firms have confidence in the integrity of the credit reporting system and can make responsible lending decisions. This is in consumers' interests and it helps to prevent future borrower over-indebtedness.

2.39 However, it is important that customers needing support and taking payment deferrals now are treated consistently with those who took deferrals at the start of the crisis. We are therefore not amending our guidance on CRA reporting. This means that firms should not report a worsening status to credit files in respect of payment deferrals agreed under the Credit Payment Deferral Guidance.

2.40 We remind firms that normal CRA reporting applies for other support provided at the end of payment deferrals agreed under our Credit Payment Deferral Guidance, including any further payment deferrals provided under the Credit Tailored Support Guidance or as forbearance under CONC. Any such support provided, including in relation to any periods in between payment deferrals agreed under our Credit Payment Deferral Guidance, should be reported to credit files in accordance with normal reporting processes. Firms should explain to their customers the credit file implications of any support provided.

Overdrafts

Issues raised

2.41 We set out our intention to maintain the tailored support set out in the overdrafts additional guidance that we published on 30 September.

2.42 One respondent considered it unfair that customers in temporary payment difficulties because of coronavirus would not be able to obtain an interest free overdraft of up to £500, as had been possible under the July guidance that expired on 31 October 2020.

2.43 Another respondent asked us to confirm whether it would be acceptable for firms who wished to retain similar support measures for overdraft customers to do this so that it runs alongside the Credit Payment Deferral Guidance.

Our response

2.44 As we set out in FS20/09, overdraft facilities are not an appropriate means to manage long-term financial difficulty. However, we recognise that some customers impacted by coronavirus may need additional support once the interest-free buffer and the top-up support come to an end. Under the overdrafts additional guidance, customers who have previously benefitted from support with overdraft costs and those newly experiencing difficulties with their finances as a result of coronavirus are entitled to assistance. This assistance could include reducing or waiving interest and other charges, transferring the overdraft debt to an alternative credit product on more favourable terms or agreeing a structured repayment programme.

2.45 The overdrafts additional guidance also highlights the importance of the repeat use rules, which require firms to put in place strategies to identify and support customers at risk of harm as a result of high cumulative charges, particularly those who are experiencing financial difficulties. We set out in that guidance that we expect firms to adapt these strategies so that they are ready to identify customers who may suffer harm from repeat use when any temporary support provided to them under the July overdrafts guidance ended.

2.46 We believe this approach will benefit customers and strikes the right balance for firms and consumers.

Financial Ombudsman Service (the Ombudsman Service)

Issues raised

2.47 One respondent expressed concern about the risk that the Ombudsman Service could interpret our guidance in a way which differs from our intention when dealing with complaints.

Our response

2.48 We continue to update the Ombudsman Service when we amend or update our guidance. The Ombudsman Service has confirmed that it will continue to keep its website updated with details of its approach to complaints.

2.49 We have also exchanged letters (FCA's letter and the Ombudsman Service's response) with the Ombudsman Service providing additional clarity for firms on its approach to assessing complaints relating to the range of targeted temporary measures introduced by the FCA to help consumers during the pandemic.

Repossessions

Issues raised

2.50 We proposed that before 31 January 2021, where the customer is experiencing payment difficulties as a result of coronavirus, RTO and motor finance firms should not terminate regulated agreements or repossess goods or vehicles needed by the customer, unless there are exceptional circumstances (eg where the customer requests that possession proceedings in court continue).

2.51 A few respondents felt that our proposals on repossessions would give rise to increasing costs to consumers and prevent firms from repossessing where there is not a genuine need for the vehicles. They felt that this could lead to customers unjustifiably being able to retain possession of a vehicle until 31 January 2021. They asked for clarity about how to proceed with customers after 6 months of payment deferrals, if they refused all further forbearance options offered by firms, including where such customers refused to engage with the firm.

2.52 A few other respondents asked for the guidance to make it clear that the sections on repossessions only applied where a customer was in payment difficulties because of coronavirus, as there has previously been some uncertainty on this point.

2.53 Some respondents felt that the example of exceptional circumstances where it may be appropriate to proceed with a repossession provided for in the guidance was too narrow and asked for additional examples to be included.

2.54 One industry body stated that there will be cases where customers want to continue to voluntarily terminate and surrender their goods or vehicles during this period and asked for this to be recognised in the guidance.

2.55 They also felt that the reference to section 140A of the Consumer Credit Act 1974 (CCA) on Unfair Relationships did not need to be included in the guidance as firms were aware of the need to comply with Section 140A and there was no need to specifically reference this provision in isolation.

2.56 One consumer body asked that the reference to the importance of respecting social distancing rules during repossession should be reinserted to make it explicit that repossession action should not compromise social distancing requirements set by the Government.

Our response

2.57 Our moratorium on repossessions lasts until 31 January 2021 and is limited to those customers who are experiencing temporary payment difficulties as a result of circumstances relating to coronavirus and need use of their goods or vehicle. The guidance makes it clear that this moratorium only applies where a customer needs the item in question. The guidance also made it clear that the moratorium only applies to customers in payment difficulties as a result of coronavirus (and does not apply where a customer is in non-coronavirus-related payment difficulties).

2.58 A firm taking steps to repossess goods or a vehicle where the customer has parted with possession, eg where the goods or vehicle have been abandoned, would not contravene our guidance. Where customers want to continue to voluntarily terminate and surrender their goods or vehicles during this period, a firm agreeing to this would also not be in contravention of our guidance. The exceptional circumstances example we set out in the guidance was not designed to be exhaustive. Nevertheless, we have amended the Credit Tailored Support Guidance to include other examples of exceptional circumstances that would enable a firm to terminate regulated agreements or repossess goods or vehicles under the agreement before 31 January 2021, if appropriate.

2.59 We have also amended our Credit Tailored Support Guidance to make it clear (for the avoidance of doubt) that the moratorium on repossessions applies regardless of whether the customer is receiving support under that guidance or the Credit Payment Deferral Guidance. We have also made it clear that Government advice on social distancing and self-isolation should be consulted to establish whether any proposed repossession should go ahead and, if so, how it is to be carried out.

2.60 We have not amended the guidance to remove references to the unfair relationship provisions in section 140A of the CCA. This reminds firms of the requirement to pay due regard to the interests of their customers and treat them fairly.

Impact on non-bank lenders

Issues raised

2.61 A few respondents felt that the expectation to continue granting payment deferrals under our guidance would have significant impacts on non-bank lenders' finances.

2.62 One trade body stated that some non-bank members had reported increasing difficulty in accessing finance, with severe impacts on their businesses. These firms are not currently able to access the same level of support as banks and highlighted that Government support schemes have restrictive terms.

2.63 A few respondents called for financial support for affected businesses.

Our response

2.64 We recognise that the current circumstances present significant financial challenges for some firms. We also acknowledge that some firms may be unable to access certain Government support schemes and may need to seek renegotiation of existing funding arrangements to comply with our guidance. However, this does not affect our expectation that consumers should be offered appropriate support in accordance with our rules and guidance where necessary, particularly given the current exceptional circumstances.

2.65 We consider that it is essential that consumers receive the same high standard of protection, whatever the business model of their lender, and that our guidance strikes a fair balance between the interests of consumers and the interests of firms.

2.66 Where firms, including those subject to insolvency procedures, are concerned about the impact of providing payment deferrals or other forbearance in accordance with this guidance, they should contact us at the earliest opportunity.

Persistent debt (credit cards and other revolving credit)

Issues raised

2.67 Some respondents highlighted that firms had undertaken very significant operational changes over recent months, including in relation to ensuring that persistent debt processes returned to normal after 31 October 2021. They were concerned that firms could face further operational challenges as they now need to extend the suspension of persistent debt communications for those customers on a deferral for a further period.

2.68 Some firms expressed concern that they were dealing with increasing numbers of customers questioning why they were being asked by firms to increase their repayments during a pandemic. They stated that these requests to increase repayments in line with persistent debt requirements are being viewed by customers as being in stark contrast to the support offered under our guidance.

Our response

2.69 We recognise the concerns expressed by some firms about the operational burden that may result from suspending the persistent debt rules for those customers who defer payments. Where firms are struggling, they should contact us to discuss their difficulties.

2.70 The intention of the persistent debt rules is to encourage customers in persistent debt to consider whether they can afford to repay more quickly and, if so, to begin doing so to reduce their borrowing costs and repay their debt faster. The rules are also intended to encourage customers who cannot afford to repay more quickly to discuss their circumstances with their credit card firm and, if necessary, seek debt advice.

2.71 We consider that there will be many customers who will benefit from the persistent debt remedies even during this period. Customers who cannot afford to increase payments in accordance with any of the options offered by the firm will be offered sufficient forbearance to pay off their persistent debt balance in a way that does not affect their financial situation. We consider that completely suspending the persistent debt rules across the board would effectively enable customers in persistent debt who are not in payment difficulties (including as a result of coronavirus) to carry on repaying their debt more slowly over a longer period and in doing so incur significant costs.

2.72 As we set out in the Credit Payment Deferral Guidance for credit cards and retail revolving credit, the suspension of the persistent debt remedies only applies to customers during the period of a payment deferral and for the duration of the payment deferral period, whether or not the payment deferrals are consecutive. This means that there may be periods of time between payment deferrals granted to a customer when the persistent debt rules will apply. Where a firm has issued a persistent debt communication to a customer at the end of a payment deferral period, the firm should consider whether this may cause confusion for the customer. If so, the firm should take reasonable steps to reduce the risk of confusion, which could include providing the customer with additional information about the interaction between their payment deferral and the persistent debt rules.