

## Finalised guidance

# Personal loans and coronavirus: Payment Deferral Guidance

November 2020

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## 1 Introductory

### Background

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- 1.1 This guidance is an updated version of the FCA's guidance "Personal Loans and coronavirus: Updated temporary guidance for firms". This guidance applies in the exceptional circumstances arising out of coronavirus (Covid-19) and its impact on the financial situation of customers with personal loans. It is not intended to have any relevance in circumstances other than those related to coronavirus.
- 1.2 The coronavirus pandemic has had a significant impact on millions of consumers, businesses and on the consumer credit markets. We have intervened to support both customers and businesses during this period of uncertainty.
- 1.3 In April 2020, we published guidance setting out how we expect firms to support customers facing temporary payment difficulties because of coronavirus. That guidance set out our expectation that firms offer these customers payment deferrals of up to 3 months unless a lender considered it obviously was not in a customer's interests.
- 1.4 The guidance provided immediate and temporary support for customers to help them deal with short-term financial difficulties. We updated it in July 2020 as the pandemic and the Government's response to it evolved. This allowed customers still struggling with the effects of coronavirus to take a second payment deferral of up to 3 months unless the lender considered it obviously was not in a customer's interests (up to 6 months in total).
- 1.5 In September 2020, we published additional guidance setting out the tailored support that firms should provide to customers who had been granted payment deferrals and remained in financial difficulty, as well as to those newly affected by coronavirus once the July guidance largely expired on 31 October 2020. We said we would keep our approach under review.
- 1.6 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.

- 1.7 This guidance (an update to the guidance originally published in April) sets out our expectations of firms to extend the availability of payment deferrals to eligible customers until 31 July 2021. Eligible customers impacted by coronavirus should be able to benefit from payment deferrals of up to 6 monthly payments in total but firms should not provide deferrals under this guidance for payments extending beyond 31 July 2021. Subject to the overall maximum of 6 months, we expect firms to give payment deferrals in tranches of up to three months' payments in a single payment deferral period.
- 1.8 Eligible customers seeking a first payment deferral, and those eligible customers who have previously accessed payment deferrals that totalled less than 6 months under this guidance, can seek a new payment deferral up to 31 March 2021.
- 1.9 We expect firms to extend ongoing payment deferrals under this guidance after 31 March 2021 to cover payments up to and including July 2021 provided these deferrals cover consecutive payments and a customer is otherwise eligible for a further payment deferral. This means that firms should not give payment deferrals under this guidance to customers after 31 March 2021 unless they are already benefitting from one at the time they are being considered for an extension.
- 1.10 This means that customers who are newly impacted and applying for a first payment deferral should approach their firm in good time before their first February 2021 payment is due if they want to be considered for the maximum 6 months' deferral.
- 1.11 If you have any questions or concerns about this guidance, [contact us](#).

### **Scope and status of this guidance**

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- 1.12 In this guidance:
- 'Payment deferral' refers to a situation, on or after 9 April 2020, where a firm permits under this guidance (or in anticipation of the original guidance coming into force) the customer to make no payments or reduced payments under their regulated credit agreement for a specified period without considering them to be in arrears;
  - 'Full payment deferral' means a payment deferral where the firm permits the customer to make no payments; and
  - 'Partial payment deferral' means a payment deferral where the firm permits the customer to make reduced payments of any amount.

- 1.13 This guidance deals with eligibility for, and the processes expected of firms in relation to, the granting of payment deferrals. The FCA's guidance "Consumer credit and Coronavirus: Tailored Support Guidance" ('the Tailored Support Guidance') deals with how firms should support customers facing payment difficulties due to circumstances arising out of coronavirus when they are not receiving a payment deferral under this guidance, including where they are not or are no longer eligible for a payment deferral. It may be relevant to firms' treatment of customers prior to the end of a final payment deferral period under this guidance.
- 1.14 Where a customer indicates that they may be experiencing, or they reasonably expect to experience, payment difficulties as a result of circumstances relating to coronavirus, a firm should offer any support the customer is eligible for under this guidance before providing support under the Tailored Support Guidance.
- 1.15 This guidance applies to regulated firms that issue personal loans. In this guidance, personal loan refers to a regulated credit agreement, secured (other than on land) or unsecured; including a guarantor loan, a logbook loan (secured by Bill of Sale), home collected credit or a loan issued by a Community Development Finance Institution. It only applies to credit union loans where they are regulated credit agreements. In addition, this guidance applies to firms that have acquired such loans.
- 1.16 It does not apply to a high-cost short-term credit agreement, buy now pay later agreement, hire purchase agreement (including motor finance), peer-to-peer agreement, pawnbroking agreement, premium finance, credit card and other retail revolving credit agreement or overdraft. The guidance does not apply to business loans.
- 1.17 This guidance sets out our expectation that firms provide, for a temporary period only, exceptional and immediate support to customers facing payment difficulties due to circumstances arising out of coronavirus. It is intended to provide help to those who might be having temporary difficulty in making their personal loan payments due to a loss of or reduction in their income (or income of other members of their household) or to those who expect to experience such difficulties.
- 1.18 This guidance applies where customers are experiencing or reasonably expect to experience temporary payment difficulties due to circumstances arising out of coronavirus. Where a customer was in pre-existing financial difficulty unrelated to coronavirus, our existing forbearance rules and guidance in CONC 7 would continue to apply. Forbearance under CONC 7 would include for example the firm considering suspending, reducing, waiving or cancelling any further interest or charges, deferring payment of arrears or accepting token payments for a reasonable period of time.
- 1.19 This guidance builds on Principle 6 ('A firm must pay due regard to the interests of its customers and treat them fairly') and 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'). It sets out our expectations of firms to provide coronavirus related support for customers who are experiencing (or reasonably expect to experience) temporary payment difficulties.

- 1.20 The guidance 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 Principles 6, Principle 7 and CONC.

## **Commencement, expiry and transitional provisions**

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- 1.21 We originally published this guidance on 9 April 2020 ('the original guidance') and updated it on 3 July 2020. This further update to our guidance comes into force on 25 November 2020.
- 1.22 We will keep this guidance under review and update it as necessary. Unless renewed or updated, this guidance expires on 31 July 2021 except that firms should continue to act in accordance with this guidance (excluding sections 2 and 3) 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.
- 1.23 This paragraph applies where a firm is providing support, on the date this guidance comes into force, to a customer in payment difficulties whose payment deferral ended after 31 October 2020 and before this updated guidance came into force on 25 November 2020. If the customer would have been eligible for a payment deferral under this updated guidance if it had been in force, the firm should, as soon as reasonably practicable, review whether the outcome the customer will receive under the Tailored Support Guidance is equivalent to, or more favourable than, what the customer would likely receive under this guidance as updated. If it is not, the firm should make reasonable efforts to contact the customer and give them an opportunity to take up any further help under this guidance.
- 1.24 Where a firm provides a further payment deferral in accordance with the preceding paragraph we expect it to work with the customer and Credit Reference Agencies (CRAs) to ensure that any necessary rectifications are made to credit files so that no worsening status is recorded in respect of the period after the end of the previous payment deferral and when the further payment deferral is in place.
- 1.25 Guidance is relevant to firm behaviour only to the extent it is current at the time of the behaviour in question. Please check our website for updates to this guidance.

## 2 Eligibility for payment deferrals

2.1 Subject to the limitations in paragraphs 2.2 to 2.4:

- a firm should regard a customer who is experiencing, or reasonably expects to experience, payment difficulties as a result of circumstances relating to coronavirus as eligible for a payment deferral; but
- after 31 March 2021, a firm should only regard a customer as eligible for a further payment deferral if it would cover payments that are consecutive with those deferred under a previous one granted under this guidance.

2.2 The maximum number of monthly payments that a firm should defer under this guidance over the period from 9 April 2020 to 31 July 2021 in respect of a regulated credit agreement is 6 in total.

2.3 A firm should not give a single payment deferral in respect of more than 3 monthly payments.

2.4 A firm should not give a payment deferral under this guidance in relation to a regulated credit agreement:

- where the firm determines (acting reasonably) that it is obviously not in the customer's interests;
- where the customer was in pre-existing financial difficulty unrelated to coronavirus in respect of which they are entitled to forbearance under our rules and guidance in CONC 7;
- except where paragraph 1.23 suggests otherwise, where the customer is receiving support in relation to the agreement under CONC 7 or the Tailored Support Guidance;
- where the firm is expected by this guidance to treat the customer in relation to the agreement in accordance with the Tailored Support Guidance (for example, a customer who has missed a payment after a payment deferral has ended (see paragraph 4.9); or
- in respect of payments falling due after 31 July 2021.

2.5 A firm should only grant a payment deferral to a customer under this guidance if the customer is eligible for it in accordance with this section.

## 3 Giving customers payment deferrals

- 3.1 Where a customer indicates that they may be experiencing, or they reasonably expect to experience, payment difficulties as a result of circumstances relating to coronavirus, the firm should give a payment deferral. The payment deferral should be:
- a full or partial payment deferral to reduce payments to a level the customer indicates they can afford; and
  - for 3 monthly payments or the maximum number of monthly payments that may be deferred in accordance with the limitations in paragraphs 2.2 and 2.4 where this is fewer.

This is unless the firm determines (acting reasonably) that it is obviously not in the customer's interests to do so.

- 3.2 An example of a situation in which a full payment deferral may be appropriate is where there is or will be a temporary reduction in household income that would have otherwise been used to make loan payments.
- 3.3 The firm should do one of the following (as appropriate) where the payment deferral sought by the customer is obviously not in the customer's interest (see also paragraph 5.10 on record keeping):
- give a payment deferral of an amount different to what the customer indicated they can afford;
  - give a payment deferral of less than 3 monthly payments (or the maximum permitted); or
  - treat the customer in accordance with the Tailored Support Guidance.
- 3.4 Where a debt counsellor is acting on the customer's behalf and in accordance with CONC 8.3.2R, the debt counsellor's view as to whether a payment deferral of up to 3 months is in the customer's interest, and the level of that deferral, should prevail over the firm's view.
- 3.5 In determining whether a full or partial payment deferral is obviously not in the customer's interests, firms should consider both the customer's need for immediate temporary support and the longer-term effects of a payment deferral on the customer's situation. In particular, firms should consider the customer's ability to repay any accrued interest once the payment deferral ends, and over what period. The interest rate and remaining term will be among the relevant considerations.



- 3.6 For example, a full or partial payment deferral would obviously not be in the customer's interests if it would give them a greater overall debt burden compared to another solution (that might involve reduced or waived interest for example) that could meet their needs and that burden would be clearly unsustainable. A payment deferral is also unlikely to be appropriate where customers would be unable to repay the deferred amounts within a reasonable time period. Any alternative support should be provided in accordance with the Tailored Support Guidance.
- 3.7 In determining what is in customers' interests, a firm should not have regard to its own commercial interests, including the fact that the firm would, under this guidance, be expected to waive any interest in accordance with the 'Interest Waiver' section.
- 3.8 To ensure customers are offered quick support, firms can consider whether the offering of a payment deferral period is in customers' interests at a book or cohort level. A firm adopting a single solution for all customers requiring further support at the end of a payment deferral period is likely to contravene Principle 6.
- 3.9 The guidance does not preclude a firm from offering a more generous form of support, such as waiving of interest.
- 3.10 Firms should make clear in their communications, including on their websites, that payment deferrals are available as set out above. In addition, if, during an interaction between the firm and the customer, the customer provides information suggesting they may be experiencing - or could reasonably expect to experience - temporary payment difficulties as a result of circumstances relating to coronavirus, the firm should ask whether the customer wishes it to consider granting a payment deferral.
- 3.11 A firm should give customers adequate information to enable them to understand the implications of a payment deferral, including the consequences of interest that is accrued as a result of the payment deferral and its effect on the balance due under the agreement and on future payments. Firms should also explain that while a worsening status will not be reported to the customer's credit file in respect of any payment deferral taken under this guidance, lenders may take into account other information when making future lending decisions, including, for example, information provided by applicants or bank account information.
- 3.12 Where firms' systems prevent them from putting in place partial payment deferrals, firms may instead provide partial payment deferrals as a full payment deferral (for example by setting minimum or contractual payments to zero or £1) while reaching an informal agreement with customers to make voluntary payments at the level they indicated they can afford. For the purposes of this guidance, such arrangements should be treated as partial payment deferrals.
- 3.13 If a customer with a partial payment deferral or a payment deferral of less than 3 months contacts the firm seeking further assistance before the end of the payment deferral period, the firm should give eligible customers additional support in line with this section and section 2. This could include extending the payment deferral period to 3 months or reducing the payment further including to nil where this is in the customer's interests.

## 4 Dealing with customers at the end of a payment deferral period

- 4.1 A firm should ensure that the manner in which it seeks to recover any sums that have accrued during the payment deferral is compatible with Principle 6.
- 4.2 Customers coming to the end of a payment deferral period will be in different financial circumstances. Fair treatment will differ according to these. Firms should distinguish between those who:
- are able to resume full payments immediately; and
  - are unable to resume full payments immediately due to circumstances arising out of coronavirus.
- 4.3 Firms should take reasonable steps to contact their customers in good time before the end of a payment deferral period with information about resuming payments and on how to access further support if needed. This can be done through a digital or scripted process.
- 4.4 This contact should inform customers of what will happen if they do not respond, including providing information about the next payment falling due after the payment deferral and how the deferred amounts will be treated.
- 4.5 Many customers will be able to resume full payments at the end of a payment deferral period. If they can, it is likely to be in their interests to do so. A firm should make all reasonable attempts to contact them to find out whether this is the case. But if the customer has not responded, and provided the firm has taken all reasonable steps to establish contact with them, the firm may proceed on the basis the customer is able to resume full payments.
- 4.6 Firms may use a range of sources of information to understand the needs and circumstances of customers coming to the end of a payment deferral period, although this is not required by this guidance. These might include: information already held by the firm (such as payment history) or information provided by others (such as data from Credit Reference Agencies or Open Banking sources).
- 4.7 Where customers have been treated as able to resume full repayments in line with this guidance, but subsequently miss the next payment due under the agreement after the payment deferral comes to an end, we would expect firms to make all reasonable attempts to contact them.

- 4.8 If, at the end of a payment deferral period, the customer indicates that they continue, or reasonably expect to continue, to face payment difficulties as a result of circumstances relating to coronavirus (and accordingly are not able to resume full payments):
- if they are eligible for a further payment deferral in accordance with section 2 “Eligibility for payment deferrals”, the firm should act in accordance with section 3 “Giving customers payment deferrals”; or
  - if they are not eligible for a further payment deferral in accordance with section 2 “Eligibility for payment deferrals”, the firm should work with the customer to resolve these difficulties in advance of payments being missed in accordance with the Tailored Support Guidance.
- 4.9 A firm should treat a customer who fails to respond to further communications after missing their first payment after a payment deferral period in accordance with the Tailored Support Guidance.

### **Customers able to resume full payments (deferred amounts)**

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- 4.10 Where a customer can resume full repayments after a payment deferral, but is unable to pay the deferred amounts immediately and in full, the firm should allow them to repay the deferred amounts over the remaining term of the agreement or allow a longer period for repayment. The firm should consider what is most in the customer’s interests.
- 4.11 For example, where appropriate, the firm could lengthen the time during which the customer is allowed to make repayments by:
- the length of the payment deferrals given to the customer; or
  - a period of time that enables the customer to keep the same contractual payments they had prior to the payment deferrals.
- 4.12 If the firm permits the customer to repay the deferred amounts over a longer term, it should give the customer adequate information that explains they could pay more over the lifetime of the agreement, compared to an alternative means of repaying these amounts, such as over the original remaining term.

### **Interest Waiver**

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- 4.13 Where the customer, at the end of a payment deferral period (or, if the customer was given a series of payment deferrals in respect of consecutive payments, at the end of the cumulative payment deferral period), is provided with forbearance under the Tailored Support Guidance, any interest that would not have accrued over the payment deferral period but for the payment deferral(s) granted under this guidance should be waived as soon as reasonably practicable at the end of the period.

- 4.14 The effect of the interest waiver should be that a customer would not, in respect of the deferred amounts, be in a worse position, in terms of interest relating to the payment deferral period, than if they had paid those amounts in full in accordance with the agreement.
- 4.15 The expectation in paragraph 4.13 of this guidance to waive certain interest applies irrespective of the mechanism used by the firm to achieve a payment deferral and whether or not that has resulted in arrears (so, for example, we expect relevant interest to be waived where a payment deferral was given using a contractual variation such that no arrears have arisen).
- 4.16 At the end of the payment deferral period, if the customer can resume payments in full and irrespective of how the deferred amounts are to be repaid, firms do not need to waive the interest accrued as a result of the payment deferral(s).

## 5 General provisions

- 5.1 As the customer would not be considered in arrears we would expect firms not to pursue relevant guarantors for payment during a deferral period, in respect of payments deferred under this guidance.
- 5.2 A customer should have no liability to pay any charge or fee in connection with the permitting of a full or partial payment deferral, or a different solution where a payment deferral has been deemed not in the customer's interests, under this guidance. The continuing accrual of interest on sums owed under the agreement that remain unpaid would not be inconsistent with this guidance.
- 5.3 When implementing this guidance, firms should take account of the particular needs of their vulnerable customers. If using digital channels, firms should make it easy for customers less able to use these to access alternatives.
- 5.4 There is no expectation under this guidance that the firm makes enquiries with each customer to determine the circumstances surrounding a request for a payment deferral, or whether this is not in the customer's interests. Firms can, however, choose to make the enquiries they consider necessary in order to satisfy themselves that the customer is eligible for support and to identify whether the customer would benefit from any additional support, provided that this does not delay the provision of timely support. We have disappplied CONC 6.7.18R and 6.7.19R to give effect to this.
- 5.5 Firms do not need to comply with, or follow, CONC 7.3.3G to 7.3.6G and 7.3.8G when acting under this guidance except where the guidance states or indicates that firms should comply with, or follow, relevant Handbook rules or guidance. We have disappplied those provisions to that extent.
- 5.6 Where a firm is required to send information to customers under the Consumer Credit Act 1974, such as a Notice of Sums in Arrears (NOSIA), and the firm, acting reasonably, considers this risks causing confusion for the customer due to the interaction with the payment deferral, the firm must accompany this with contextual information to reduce that risk. This information should be clear, fair and not misleading in accordance with Principle 7.
- 5.7 Firms should make clear in their communications, including on their websites, that payment deferrals are available as set out in this guidance.

### **Training, monitoring, record keeping and Credit Reference Agency Reporting**

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- 5.8 Firms should ensure that staff are adequately trained to enable them to implement the firm's process for following this guidance.
- 5.9 Firms should keep records of how any process was designed and implemented sufficient to demonstrate that the options offered and granted were consistent with customers' interests.
- 5.10 Firms should record and monitor payment deferrals offered and granted, any alternative measures provided, as well as any issues which might impede customers' ability to access the assistance required under this guidance. Firms should use this information to keep their processes for following this guidance under review to ensure that customers' interests are being met and to refine their approach.
- 5.11 Firm supervisors may request access to a firm's records and the outcomes of a firm's customer monitoring.
- 5.12 The payment deferrals described here should be regarded as being offered in exceptional circumstances outside of the customer's control. In accordance with the relevant Coronavirus Data Reporting Guidance published by the Credit Reference Agencies (CRAs) in consultation with SCOR, firms should not report a worsening status on the customer's credit file during any payment deferral period.
- 5.13 Where customers have been unable to reach timely agreement with firms for a payment deferral because of firms' operational difficulties and subsequently miss a payment which is reported to their credit file, we would expect firms to work with customers and CRAs to ensure that any necessary rectifications are made to credit files to ensure no worsening status is recorded in respect of the payment deferral period. Firms should also ensure no default or arrears charges are levied in relation to payments missed in these circumstances.
- 5.14 We expect firms to report to CRAs in line with normal reporting processes in respect of any periods between payment deferrals provided under this guidance, unless paragraphs 1.23 or 5.13 apply.
- 5.15 Where at the end of a payment deferral period a mechanism to repay accrued amounts is agreed we would not expect this to result in any negative reporting (subject to subsequent payment performance being reported in the usual manner).
- 5.16 We expect firms to be clear about the credit file implications of other forms of support offered to customers, including at the end of payment deferral periods. We also expect firms to ensure that a reasonable period of time is afforded to determine an appropriate solution with customers before reporting any new arrears or arrangements to credit files.

## Debt help and money guidance

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- 5.17 Customers who are considering whether a payment deferral is right for them may benefit from being signposted to the [Money Advice Service's Navigator Tool](#).
- 5.18 At the point of granting a payment deferral or alternative option under this guidance, firms should help customers to understand what types of debt help or money guidance are available. They can do this by signposting or referring them to appropriate sources of guidance. This could include providing a link to our information page '[Dealing with financial difficulties during the coronavirus pandemic](#)' and to the [Money Advice Service's Navigator Tool](#).
- 5.19 Where customers could benefit from debt advice we would expect firms to inform the customer that free and impartial debt advice is available from not-for-profit debt advice bodies; and signpost or refer them to one or more sources of such free advice. Signposting can include providing a link to the Money Advice Service's [debt advice locator tool](#).
- 5.20 Firms should have regard to Principle 7 in any communication with their customers. They should also have regard to relevant parts in CONC, in particular, CONC 7.3.7A G.
- 5.21 Firms should try to make any referrals as effective as possible, and should consider:
- encouraging customers to use digital tools, where appropriate;
  - offering to transfer a customer's call directly to a debt advice provider; and
  - whether the customer would benefit from a specialist source of debt advice, such as making a self-employed customer aware of business debt advice providers in the Money Advice Service [Strategic toolkit for creditors](#)
- 5.22 Firms should tell customers that they can get guidance or not-for-profit debt advice through both digital and telephone services, and we would expect signposting and referral processes to take the full range of delivery channels into account. Firms should also highlight the availability of face to face services, where this is appropriate, but should help the customer to get debt advice through alternative means in case face to face services are not available.
- 5.23 Where firms handle customers through a digital or scripted process, we expect this to include appropriate signposting or referrals to debt advice or money guidance, as appropriate to the customer's needs.
- 5.24 Where a customer indicates that they are experiencing payment difficulties with other debts, the firm should, where possible within their existing systems capabilities, share a record of any income and expenditure assessment that they complete with customers or make these available to customers so that they are able to share them with other lenders and debt advice providers. Although firms are not required to rely on information collected by third parties, firms should support and encourage customers to re-use up-to-date income and expenditure information previously gathered where possible. For example, an income and expenditure assessment completed by another lender.

- 5.25 Some customers in short-term difficulty may feel they are able to deal with their own debts without needing full debt advice. For these customers, the firm may also wish to:
- Suggest the customer works out a budget. Firms may find it helpful to refer customers to resources mentioned in our [information page](#).
  - Explain to the customer that, for most people, it makes sense to pay essential expenses and priority debts before any discretionary expenses or non-priority debts. To see if this is right for them customers can use online guides such as the Money Advice Service '[How to prioritise your debts](#)' page.
  - Recommend the customer contacts all their creditors to discuss their repayments.
- 5.26 Firms should have regard to [chapter 17 of PERG](#) in our Handbook which provides guidance on the regulated activity of debt counselling.