Draft guidance

Mortgages and Coronavirus: Additional Guidance for Firms

August 2020

About this guidance

1.1 This guidance applies in the exceptional circumstances arising out of the coronavirus pandemic (Covid-19) and its impact on the financial situation of mortgage customers. It is not intended to have any relevance in circumstances other than those related to coronavirus.

1.2 This guidance supplements the FCA's guidance 'Mortgages and coronavirus: Updated guidance for firms' ('the June Guidance'). The June Guidance will continue to provide support for those newly impacted by Covid-19 until at least 31 October 2020 – with consumers able to receive an initial or further 3 month payment deferral from that date that would last until 31 January 2021.

1.3 The June 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 on their feet. The steps firms have taken under the June guidance have helped millions of consumers through the first months of the current emergency. The majority are expected to resume full repayment. However, many consumers will continue to be, or will be newly affected by circumstances relating to coronavirus.

1.4 Where customers who have benefitted from payment deferrals under the June guidance remain in financial difficulty, we consider that they will need more tailored support.

1.5 We also consider that firms need to be preparing to move back to providing their customers, including those newly affected by coronavirus, with the tailored support that we normally expect, once the June guidance is no longer in effect, and that this support also needs to reflect the uncertainties and challenges that many customers will face in the coming months. This draft guidance therefore also sets out our expectations of how firms should support those customers who are affected by coronavirus once the June Guidance is no longer in effect.

1.6 We expect the June Guidance will expire on 31 October, but we will keep this under review depending on how the wider situation develops.

1.7 Section 3 of this guidance focuses on how firms should support customers who have already benefitted from payment deferrals under the June guidance, and who still require further support.

1.8 The remainder of this guidance is relevant to firms dealing both with customers who have benefitted from payment deferrals under the June guidance, and those who experience financial difficulty as a result of circumstances related to coronavirus once payment deferrals under that guidance are no longer available.

1.9 The proposals in this guidance support our consumer protection objective and are designed to protect consumers by providing them with temporary and, where necessary, ongoing support with their mortgage.

Equality and Diversity

1.10 We are required under the Equality Act 2010 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, and to foster good relations between people who share a protected characteristic and those who do not.

1.11 As part of this, we ensure we consider the equality and diversity implications of any new policy proposals. We do not consider this guidance will adversely affect consumers with protected characteristics.

How to respond

1.12 We want to act quickly to continue to protect consumers in these difficult times. We consider that the delay involved in publishing a formal consultation accompanied by a cost benefit analysis would be prejudicial to consumers' interests. We are therefore not doing so. This is not a statutory consultation. There is no statutory requirement to prepare a cost benefit analysis for guidance.

1.13 We would welcome comments from stakeholders on this draft guidance by **5pm** on **Tuesday 1 September 2020**. Please send your comments to: FCAconsumercredit@fca.org.uk

2 Mortgages and coronavirus

2.1 This guidance comes into force on [date] and remains in force until varied or revoked. Guidance is relevant to firm behaviour only to the extent it is current at the time of the relevant behaviour.

2.2 This guidance supplements the FCA's guidance 'Mortgages and coronavirus: Updated guidance for firms' ('the June guidance') and sets out the FCA's expectations of firms in relation to dealing with customers who:

- are unable to resume payments after 2 payment deferrals granted under the June guidance
- have benefitted from an initial payment deferral that expires at a time when the June guidance is no longer in effect or
- experience payment difficulties as a result of circumstances relating to coronavirus at a time when the June guidance is no longer in effect (whether or not they have benefitted from a payment deferral or other support under the June guidance)

2.3 Where a firm has dealt with customers at the end of a payment deferral period before this guidance came into force, it should review its approach to customers who are unable to resume payments. If its approach materially differs from this guidance, it should review whether the outcomes which affected customers received are consistent with what they would likely have received under this guidance.

2.4 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'), MCOB 2.5A.1R ('A firm must act honestly, fairly and professionally in accordance with the best interests of its customer') and MCOB 13 (Arrears, payment shortfalls and repossessions: regulated mortgage contracts and home purchase plans). It is potentially relevant to enforcement cases and we 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, MCOB 2.5A.1R and MCOB 13.

2.5 A firm is likely to contravene these rules if it acts in a manner which is inconsistent with this guidance.

2.6 Where an authorised person carries on activity in relation to an unregulated agreement to provide credit which is secured on land (such as an investment property loan under article 61A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001), its conduct in relation to the subject-matter of this guidance could be relevant to our assessment of whether it is satisfying the Threshold Conditions.

2.7 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.

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

3 Customers unable to resume full payments at the end of a payment deferral period

3.1 This section sets out how firms should treat customers who continue, or reasonably expect to continue, to face payment difficulties and are unable to resume full contractual payments after an initial or further payment deferral granted under the June guidance, where the customer has:

- already benefitted from 2 payment deferrals granted under the June guidance or
- benefitted from an initial payment deferral that expires at a time when the June guidance is no longer in effect

3.2 The June guidance sets out that a firm should contact customers in good time before the end of a payment deferral period and give them information about the resumption of payments and on how to access further support if needed. If the customer can resume full payments, the firm should deal with the customer in accordance with the 'customers able to resume full payments' section of the June guidance. This includes where the June guidance is no longer in effect.

3.3 If the customer indicates that they continue, or reasonably expect to continue, to face payment difficulties, the firm should treat the customer fairly. The firm should work with the customer to resolve these difficulties before payments are missed, in accordance with the remainder of this section and section 5 below.

3.4 Unless the customer objects, firms may capitalise the deferred amounts. However, for borrowers under a second charge mortgage who have had a payment deferral totalling more than 3 monthly instalments, firms should only do this where they consider this to be appropriate after a full consideration of the customer's individual circumstances and with the customer's agreement.

3.5 Consumers continuing to experience payment difficulties will have a range of needs and circumstances. Some will be facing financial difficulty for the first time and others will have seen their existing difficulties continue, or worsen. Many will have taken advantage of payment deferrals but still be in temporary payment difficulty. And some will be in longer term difficulty.

3.6 In line with the standards we always expect from firms, we want firms to deliver the following outcomes:

- Customers receive appropriate forbearance that is in their interests after consideration of their individual circumstances.

- Firms support their customers through a period of payment difficulties, and a period of uncertainty, including by considering their other debts and essential living costs.

- Firms recognise vulnerability and respond to the particular needs of vulnerable customers. Our draft vulnerability guidance (GC 20/3) gives more information on how we define vulnerability and our general expectations of firms about treating vulnerable customers fairly.

- Firms have systems, processes and adequately trained staff, with any staff incentives aligned with the need to provide their customers with the help they need.

- Consumers should receive the support they need in managing their finances, including through self-help and money guidance, and from their lender or administrator. Firms should refer them to debt advice if this meets their needs and circumstances.

3.7 Under both this guidance and MCOB 13 firms have flexibility and scope to tailor their approach to meet the challenge of many customers needing assistance at the same time. In particular, neither this guidance nor MCOB 13 impose prescriptive requirements about how a firm collects information about a customer's individual financial circumstances or how it ensures any forbearance option proposed is appropriate for that customer in light of their individual circumstances. Therefore, firms could use automation or digital tools to:

- automate processes, including asking borrowers who cannot resume full payments to provide information on their circumstances, including income and expenditure

- offer a customer a forbearance option the firm has identified as appropriate to the customer's individual circumstances, and get the customer's agreement to it

- offer a customer a range of options that the firm has identified as appropriate to the customer's individual circumstances for the customer to choose from

3.8 Firms are responsible for ensuring that all consumers get fair and appropriate outcomes and should have appropriate systems and controls to ensure compliance with this guidance and MCOB 13, even when relying on automation or digital tools.

3.9 We give further guidance on our expectations of forbearance under both this guidance and MCOB 13 in section 5 below.

3.10 If customers are unable to reach timely agreement with firms for appropriate forbearance due to firms' operational difficulties and subsequently miss a payment, firms should work with the customer to put them in the position they would have been in, had they received timely forbearance. Firms should ensure no default or arrears charges are levied as a result, and work with customers and Credit Reference Agencies to ensure that any necessary rectifications are made to credit files so that no worsening status is recorded in respect of this period.

Provision of short-term forbearance on a cohort basis

3.11 Firms may want to identify certain cohorts of customers coming to the end of payment deferrals under the June guidance, for whom a short-term period of forbearance is likely to be appropriate, rather than undertaking a full assessment of their individual circumstances straight away. This short-term forbearance could be a further period during which no or reduced payments are made, or other forbearance options such as temporary reductions or waivers of interest. This could include firms using a digital or automated channel to identify these cohorts and provide a choice of short term forbearance options.

3.12 Where this is the case, firms should review the arrangements for these customers in accordance with the requirements of MCOB 13. This should be done within 60 days of the arrangements being put in place, unless the consumer is able to resume full payments and has fully addressed any payment shortfall before this time. Firms should also review these arrangements if the customer indicates that their circumstances have changed or requests that the firm undertakes a review.

3.13 Where a firm wishes to offer forbearance options in this way it must have a written policy setting out:

- The types of consumers for whom this approach is not suitable, because they require a full assessment of their individual circumstances promptly. This should include borrowers who are at most risk of harm or those customers facing more serious and longstanding difficulties.
- How the firm will ensure that those for whom this cohort approach is not suitable will be identified, and how they will ensure that they receive forbearance that is appropriate to their individual circumstances.

3.14 Firms should not use the approach described in this section for second charge mortgage customers. This approach is also unlikely to be suitable for a borrower if they:

- have a payment shortfall
- are highly indebted
- have only a short term remaining on their mortgage (and no or limited scope to extend)
- are unemployed, or have experienced a significant loss of earnings

3.15 Where this is offered digitally, firms should ensure that customers can request support through a non-digital channel, for example to answer questions or discuss a broader range of options, if they want it.

When MCOB 13 applies to customers unable to resume payments

3.16 In accordance with the June guidance, customers are not to be regarded as in payment shortfall during a payment deferral period.

3.17 At the end of the payment deferral period, no payment shortfall for the purposes of MCOB 13 will arise, where the accrued amounts are repaid before the next payment is due. This could include where the sums are:

- repaid in a lump sum, or
- capitalised (whether by default or as part of the support agreed with the customer under this guidance to resolve their payment difficulties, including where the term is extended).

3.18 In all other cases, to ensure on an ongoing basis that high standards of consumer protection apply, firms should regard the deferred sums as a payment shortfall under MCOB 13 once the next payment falls due. In these circumstances the firm should:

- Clearly communicate to the customer, including in writing, that
  - when they receive future communications concerning payment shortfalls or arrears these will include the deferred amounts but
  - no worsening status has been or will be reported to their credit file in respect of the deferred amounts or the payment deferral period(s)
- Maintain internal records of the amounts added to the shortfall as a result of payment deferrals, to ensure the firm can identify the unique circumstances in which this shortfall arose.
- Agree a way to pay back the shortfall as part of the wider forbearance offered by the firm.
- Not repossess the property due to a payment shortfall where the shortfall is one arising purely as a result of a payment deferral under the June guidance.
- In considering whether and when steps to repossess the property should be taken and whether all other reasonable attempts to resolve the position have failed, firms should not treat the shortfall in the same way as an equivalent shortfall arising under other circumstances. Firms should take into account that:
  - the shortfall arose by agreement with the firm and in exceptional circumstances
  - the customer was not expected to address the shortfall during the payment deferral period and so may have had less time to address it

3.19 Firms should ensure their arrears and repossession policy (required by MCOB 13.3.1R(2)) specifically addresses payment shortfalls arising in these circumstances.

3.20 Where after the end of a payment deferral period under the June guidance, a firm agrees to the customer making no or reduced payments for a further period (without changing the sums due under the contract) this will cause a payment shortfall that will be subject to MCOB 13.

4 CRA Reporting

4.1 This section sets out our expectations of firms in relation to Credit Reference Agency (CRA) reporting when dealing with customers who:

- have benefitted from a payment deferral granted under the June guidance or
- experience payment difficulties as a result of circumstances relating to coronavirus at a time when the June guidance is no longer in effect

4.2 We expect normal CRA reporting to resume at the end of payment deferral periods taken under the June guidance, subject to the principles set out below.

4.3 We expect firms to resume normal reporting from the payment status that was 'frozen' at the start of the payment deferral period to preserve the benefit of having no worsening status reported during payment deferral periods. This reflects the updated Coronavirus Data Reporting Guidance, issued by the CRAs in consultation with the Steering Committee on Reciprocity (SCOR), which sets out detailed reporting guidance for typical scenarios at the exit of payment deferrals.

4.4 Where a mechanism to repay accrued amounts is agreed at the end of a payment deferral period and the customer can resume at least the level of contractual payments we would not expect this to result in the reporting of an arrangement to credit files (subject to subsequent payment performance being reported in the usual manner).

4.5 For all customers, we expect any further forms of support, including for example further full or partial payment deferrals offered as forbearance, to be reported to credit files in the usual manner.

4.6 Firms should ensure that they are clear about the credit file implications of any forms of support offered to customers, including the rescheduling or refinancing of accounts. They should also ensure that they allow a reasonable period of time to agree an appropriate solution with customers before reporting any new arrears or arrangements to credit files.

4.7 Where customers are unable to reach timely agreement with firms for appropriate forbearance after a payment deferral granted under the June guidance due to 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 so that no worsening status is recorded in respect of this period. We would not typically expect this period to relate to more than a single monthly payment.

5 Delivering effective forbearance in the current environment

5.1 This guidance sets out our expectations of firms in relation to providing forbearance (whether under section 3 of this guidance or under MCOB 13) to customers who:

- have benefitted from a payment deferral granted under the June guidance or
- experience payment difficulties as a result of circumstances relating to coronavirus after the June guidance is no longer in effect

5.2 The pandemic and national and local responses will continue to evolve. Many customers will continue to face uncertainty about their short and medium-term employment and income prospects, and may also experience temporary interruptions in income. Customers' circumstances may change quickly, and in a way that might expose or exacerbate vulnerabilities.

5.3 We expect firms to be flexible and employ a full range of short and long-term forbearance options to support their customers and minimise avoidable financial distress, stress and anxiety experienced by customers in financial difficulty. This may include short term arrangements under which the firm permits the customer to make no or reduced payments for a specified period.

5.4 However, we recognise that achieving this in the current environment, where it is likely that a large number of customers will require support, may be challenging. Firms may need to recruit additional, less experienced, staff to meet the increased demands for forbearance and may be supporting them remotely.

5.5 This section builds on pre-existing outcomes of our work on the management of mortgage arrears and the application of forbearance. It is intended to support firms in delivering fair customer outcomes in the current exceptional circumstances.

Engaging with customers seeking support before missing a payment

5.6 The June guidance sets out that a firm should contact customers in good time before the end of a payment deferral period with information about resuming payments and how to access further support if needed.

5.7 If the customer indicates that they continue, or reasonably expect to continue, to face payment difficulties, the firm should treat the customer fairly and work with them to resolve these difficulties before payments are missed, in accordance with the remainder of this section and section 3 above.

5.8 More generally when any customer contacts a firm seeking support before missing a payment, we also expect firms to treat the customer fairly, in accordance with Principle 6. The firm should offer appropriate prospective forbearance to enable the customer to avoid, reduce or manage any payment shortfall that would otherwise arise. This should, in particular, include consideration of the range of forbearance tools set out in MCOB 13.3.4AR.

5.9 By doing this firms can support customers in a way that minimises avoidable financial distress, stress and anxiety during a period when many customers may be experiencing uncertainty and economic shocks due to coronavirus.

Considering a range of forbearance options

5.10 Firms should not take a 'one size fits all' approach and a firm offering a single solution to all customers is unlikely be consistent with this guidance, or MCOB 13. Firms should use a range of different short or long-term forbearance options as appropriate, including doing one or more of the following in relation to the mortgage contract:

(a) extending its term

(b) changing its type (eg changing from a capital and interest repayment mortgage to an interest-only mortgage or a change to a product with a different interest rate) or

(c) deferring payments due under it

5.11 This list is not exhaustive and we expect firms to consider other options in appropriate circumstances.

5.12 Firms need to ensure that they agree arrangements with their customers on sustainable terms, taking account of their individual circumstances (except to the extent that they act in accordance with the section on short-term forbearance options on a cohort basis above at paragraphs 3.11-3.15).

5.13 It is particularly important that firms are flexible and employ a full range of forbearance options at this time, as the coronavirus pandemic and local or national responses to it evolve. Many customers may continue to face uncertainty about their short and medium-term employment and income prospects, for example where they have been furloughed and are unsure if they will remain in employment. They may also have temporary interruptions in income, for example where they work in a sector affected by local or national restrictions put in place to manage the spread of coronavirus.

5.14 Customers may also be expecting an imminent improvement to their financial situation, for example, where they have recently resumed employment after restrictions were lifted.

5.15 This uncertainty may make it harder for a customer to commit to an arrangement to pay, and may mean it is appropriate to delay the use of long term solutions such as changing the type of the loan until a clearer picture emerges. This includes customers who have benefitted from payment deferrals under the June guidance. Where this is the case, firms should offer short term arrangements under which the firm permits the customer to make no or reduced payments for a specified period to give them more time to get back on track. Firms should not pressure a customer to commit to a longer-term arrangement if it is clear that the customer's circumstances may materially change in the short-term.

Second Charge Mortgages

5.16 For second charge mortgages, firms should be mindful that there is a particular risk of harm from the total debt escalating significantly when a customer defers payments or enters payment shortfall, particularly compared with what they would have paid under the mortgage had they not had a payment shortfall. Where normal payments are significantly disrupted for a material period of time this can mean customers struggle to repay the total amount owed. This is driven by the combination of relatively high interest rates prevalent in this market, and the fact that where interest is charged on sums in arrears, this is typically applied on a compound basis.

5.17 In such cases, it is particularly important that firms consider using a range of forbearance options beyond those listed in MCOB. These could include applying simple interest rather than compound to the deferred amounts, or any payment shortfall, or reducing the interest rate charged on these sums (in some cases to 0%). This, when combined with sustainable arrangements to pay, may prevent the balance from unfairly escalating and give borrowers more scope to effectively address any shortfall.

5.18 Customers who have benefitted from payment deferrals under the June guidance will be at particular risk of this type of harm, as the deferrals will have disrupted payments under their mortgage. They may also have taken payment deferrals in relation to their first charge mortgage which could have exacerbated their indebtedness.

Reviewing arrangements

5.19 Firms should review any customer's arrangements regularly, to ensure that their circumstances have not changed and the support remains appropriate. This is particularly important in the current environment where a customer's circumstances can change quickly, and in a way that might expose or exacerbate vulnerabilities.

5.20 Where arrangements are agreed for a limited time, firms may need to review them before they come to an end, for example, if a customer suffers a further temporary loss of income. Where a customer's circumstances have changed, firms should reconsider what support they need.

5.21 Firms should not repeatedly pursue one forbearance option without reconsidering whether it remains appropriate. For example, where a customer repeatedly fails to meet an arrangement to pay, then firms should consider whether it is appropriate to the customer's individual circumstances to enter into further such arrangements, or whether they should explore alternative options.

Taking account of wider indebtedness

5.22 Firms should consider individual customer circumstances and any expected changes in those circumstances. Where a customer indicates that they are experiencing payment difficulties with other priority or unsecured debts, we expect lenders to take those debts into account, and the consequences of the consumer falling behind on these, when considering or offering forbearance, and particularly when agreeing a sustainable arrangement to pay.

Customer engagement

5.23 Effective customer engagement is particularly important where customers may be experiencing significant uncertainty, stress and anxiety about their wellbeing and financial circumstances due to coronavirus. If customers have to repeatedly describe their circumstances this can lead to them becoming disengaged.

5.24 Giving customers a consistent point of contact is likely to improve interaction and deliver better outcomes. However, we recognise that achieving this in the current environment where a large number of customers require support may be challenging, particularly if firms have recruited new case handlers and are supporting them remotely.

5.25 So, it is important that firms enable case handlers to keep, and subsequently refer to, clear records of interactions with consumers, including their individual circumstances and any judgements made, to give consumers continuity and support.

5.26 Firms are responsible for putting in place sufficient resources to enable them to meet their obligations to treat customers fairly and provide them with appropriate forbearance. We recognise that achieving this in the current environment where a large number of customers require support may be challenging. However, long or unpredictable call waiting times during busy periods can put customers off from engaging with firms and receiving timely and appropriate outcomes. Firms should consider what they can do to mitigate this. Approaches could include:

- being transparent about average waiting times, and times when customers are likely to experience longer or shorter waiting times
- use of call-backs
- offering pre-booked appointments
- referring customers to on-line tools where these are available
- clearly communicating the information or documents customers will need to have to hand

Customer communications

5.27 Firms should ensure customers receive timely information to enable them to understand their financial position, their options and the implications of any arrangements.

5.28 We expect firms to be clear about the impact of any further forbearance options. This includes the impact on customers' overall balance and any implications for their credit file of any support offered to them at the end of payment deferral periods. The firm should personalise the information provided to customers.

5.29 Our June guidance sets out specific expectations for telling customers about the options to repay any sums covered by a payment deferral. MCOB 13 also sets out other disclosure requirements for customers in payment shortfall.

5.30 Some customers can become disengaged where they are required to complete detailed forms with little help or they may lack the capability and understanding to assess their needs without support. Some customers, including those with characteristics of vulnerability, may find it more difficult to interact offline and may prefer to complete as many steps as possible online, whilst others may not have access to online channels or find digital interactions difficult.

5.31 So, firms should offer to engage with customers in different ways including through a range of channels and, where possible, give them the ability to switch between them.

Supporting vulnerable consumers

5.32 MCOB 13 requires that firms establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of customers whom the firm understands, or reasonably suspects, to be particularly vulnerable. Our draft guidance on vulnerability (GC 20/3) highlights that, more generally, firms should understand, recognise and respond to vulnerable consumers' needs. It includes examples of actions firms can take, for example to enable vulnerable consumers to disclose their needs. We expect firms to take these into account when providing support to customers under this guidance.

5.33 Many consumers currently experiencing financial difficulties, including those benefitting from, and exiting, temporary payment deferrals, will display characteristics of vulnerability, particularly low financial resilience. Firms should take particular care to ensure they respond to the needs of consumers with vulnerable characteristics at the greatest risk of harm.

5.34 Firms should use their communication channels, including digital channels, to proactively tell consumers about the support available and encourage them to articulate their needs, what support would help them, and take these into account. For example, asking about the consumer's communication preferences when contacting them at the end of a payment deferral and when considering, or presenting, forbearance options.

5.35 Firms should particularly consider the needs of consumers with protected characteristics under the Equality Act 2010, such as those with physical or mental health disabilities.

End to end quality assurance

5.36 Firms should adopt a quality assurance approach that reviews the end-to-end process, rather than focusing on individual interactions in isolation. This enables firms to evaluate better the fairness of customer outcomes overall, and helps with robust root cause analysis.

5.37 This will be particularly important at this time when customer circumstances can change quickly and if firms are using less experienced staff or cannot offer customers a consistent point of contact.

5.38 Given firms will be dealing with large numbers of customers in a short space of time, the time to refine and improve processes may be limited. Prompt action is particularly important to secure good outcomes for as many customers as possible. Firms should be using quality assurance methods and continuously improving their processes to ensure that they learn lessons adapt and improve their approaches quickly where necessary.

Training and competence and staff incentives

5.39 It is likely that higher numbers of customers will require help and support in the coming months as the financial impact of coronavirus continues. Firms may need to recruit additional, less experienced, staff to meet the increased demands for forbearance. We recognise that many staff will be working remotely from home because of the pandemic and that firms may need to adapt their processes to provide support and oversight.

5.40 Nevertheless, firms should ensure that staff are adequately trained for the roles that they perform and that they have appropriate oversight arrangements in place. In this environment, this might mean using more experienced staff to deal with the most complex arrears and forbearance cases, including vulnerable customers at most risk of harm, and to support less experienced colleagues.

5.41 Firms should consider how best to ensure that their staff have the right skills, capabilities and incentives to support consumers. Incentives and staff objectives should be aligned with delivering forbearance that is appropriate in customers’ individual circumstances. For example, addressing operational challenges posed by Covid-19 by incentivising staff to deal with calls too quickly may discourage them from taking appropriate escalation steps in complex cases, or mean they fail to adequately consider customers’ individual circumstances. It may therefore increase the risk of poor customer outcomes.

Governance and oversight

5.42 The Senior Manager accountable for providing support to customers under this guidance needs to critically review the firm’s policies, procedures and controls and ensure they are appropriate to meet the needs of customers seeking support. This includes ensuring incentives for staff are aligned with fair customer outcomes and taking responsibility for ensuring appropriate governance and oversight is in place to deliver fair customer outcomes in practice.

5.43 Executive committees and the Board are responsible for ensuring the function or functions that provide customer support in line with this guidance are appropriately resourced and demonstrate a supportive, customer-focused culture. Board management information should be sufficiently granular to enable the Board to satisfy itself that its customers are receiving consistently fair outcomes.

5.44 Firms must keep records of the support offered to customers. They should keep a record of both generic information presented to all customers, and any personalised information presented to a particular customer. Firm supervisors may request access to a firm's records and the outcomes of a firm's customer monitoring.

6 Interaction with other MCOB provisions

6.1 Firms are reminded that where a firm varies the terms of a regulated mortgage contract or home purchase plan solely for the purposes of forbearance or to avoid a payment shortfall, MCOB 4.8A.19R and MCOB 11.6.3R(3) continue to have effect. These dis-apply restrictions on execution-only and requirements to assess affordability.

6.2 The modified affordability assessment described in MCOB 11.9 is restricted to customers not in payment shortfall. Customers who have taken a payment deferral under the June guidance but repay the deferred amounts before their next payment is due (including by capitalising it) should not be considered to have been in payment shortfall and will meet the condition in MCOB 11.9.1R(2)(c). Lenders can therefore choose to adopt this approach for customers who resume payments at the end of a payment deferral period.

6.3 Where an existing regulated mortgage contract is being varied or other assistance is provided in line with this guidance, MCOB 7.6.28R and MCOB 7.6.28AR set out the required disclosure about any change in the payments due.

6.4 Where a new regulated mortgage contract is entered into, the standard MCOB requirements regarding new contracts apply. In respect of disclosure this means firms will need to issue an illustration.

7 Repossessions

7.1 The June guidance provides that firms should not commence or continue repossession proceedings against customers for a specified period. Once the June guidance is no longer in effect, firms may start or continue possession proceedings against customers in accordance with MCOB 13 and applicable pre-action protocols.

7.2 There is no 'one-size-fits-all' approach to how long forbearance should be offered before starting a court process. Possession action should not be started until all other options have been exhausted. The firm should give consideration to whether the customer should be allowed to remain in possession to effect a sale when no reasonable payment arrangement can be made to get back on track.

7.3 However, while this guidance is in force, firms should not seek, or enforce, a warrant for possession of a customer's home at a time when:

- the borrower or a member of their household residing at the property is required to self-isolate or shield, or
- while a local or more widespread lock-down is in force

7.4 Firms should also ensure that their customers are kept fully informed, and discuss with them the potential consequences of their suspending any moves towards repossession. For example, the effect of remaining in the property on the customer's remaining equity should be explained. See our information for consumers regarding mortgages during the coronavirus situation.

8 Debt help and money guidance

8.1 Customers who are coming to the end of a payment deferral or other temporary assistance granted under the June guidance, as well as those experiencing payment difficulties after that guidance no longer applies, might benefit from some help to manage their mortgage payments or their money more generally. Customers in different circumstances are likely to have different debt help or money guidance needs.

8.2 We expect firms to work with customers to identify their needs for further money guidance or debt advice and help them to access this.

8.3 Where the customer would benefit from additional money guidance, lenders should offer to provide this guidance to the customer or signpost them to an appropriate source of guidance.

8.4 Firms can do this by providing the customer with a link to our information page 'Dealing with financial difficulties during the coronavirus pandemic' and signposting them to the Money Advice Service's Navigator Tool.

8.5 When communicating with customers, firms should provide, or signpost to, appropriate money guidance or self-help tools, or a referral to debt advice in a timely manner. For example, where a firm anticipates that a customer may need to wait before the firm can discuss or assess their situation and circumstances, they should consider ways to avoid delaying the customer receiving appropriate money guidance, self-help tools or referral to debt advice.

8.6 Where customers could benefit from debt advice we would expect firms to (a) inform the customer that free and impartial debt advice is available from not-for-profit debt advice bodies; and (b) refer the customer to a not-for-profit debt advice body. Firms should endeavour to make such referrals as effective as possible, and should consider:

- encouraging customers towards using digital tools, where appropriate
- offering to transfer a customer's call directly to a debt advice provider
- whether the customer would benefit from a specialist source of debt advice (eg where the customer is self-employed, making them aware of business debt advice providers)
- The debt advice referral strategies highlighted in the Money Advice Service 'Strategic toolkit for creditors'.

8.7 Firms should inform customers that they can engage with 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 access debt advice through alternative means in case face to face services are not available.

8.8 Where customers are handled 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.

8.9 Where a customer indicates that they are experiencing payment difficulties with other debts, the firm should, where possible, share a record of any income and expenditure assessment that they complete with borrowers or make these available to borrowers (so that they are able to share them with other lenders) and debt advice providers. 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.

8.10 Customers who are considering whether an arrangement under which they agree to make no or reduced payments for a specified period is right for them may benefit from firms referring them to the Money Advice Service's Navigator Tool.

8.11 Some customers experiencing short-term difficulty may feel they are able to deal with their own debts without the need for 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 referred to above.
- 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.

8.12 Firms should have regard to chapter 17 of PERG in our Handbook which provides guidance on the regulated activity of debt counselling.