

## Draft guidance

# Mortgages and Coronavirus: Updated Additional Guidance for Firms

November 2020

### About this guidance

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- 1.1 This draft guidance sets out the proposed form in which the FCA would update the FCA's guidance ['Mortgages and coronavirus: Additional guidance for firms'](#).
- 1.2 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.
- 1.3 It supplements the FCA's guidance first made in March 2020 and subsequently updated in June and November 2020, the current version of which is 'Mortgages and coronavirus: Further Updated guidance for firms' (the guidance, as varied from time to time, is referred to in this guidance as the "Payment Deferral guidance")
- 1.4 This guidance is relevant to firms dealing with customers who need more tailored support as a result of circumstances related to coronavirus, including where they have exhausted the support available under our Payment Deferral guidance and where they are experiencing payment difficulties once payment deferrals are no longer available under that guidance.
- 1.5 This guidance is designed to enable firms to continue to deliver short and long-term support to customers affected by the evolving coronavirus pandemic and the Government's response to it. It is designed to help consumers affected by coronavirus to bridge the crisis and get back on their feet. 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 uncertainty, including by considering their other debts and essential living costs.
  - Firms recognise vulnerability and respond to the particular needs of vulnerable customers.
  - Firms have systems, processes and adequately trained staff, with any staff incentives aligned with providing their customers with the help they need.
  - Customers should receive the support they need in managing their finances, including through self-help and money guidance. Firms should signpost or refer them to debt advice if this meets their needs and circumstances.
- 1.6 Firms should provide support to customers that reflects the uncertainties and challenges that many customers will face in the coming months.
- 1.7 Section 3 of this guidance focuses specifically on how firms should support customers who have already benefitted from payment deferrals under the Payment Deferral guidance.
- 1.8 Section 7 of this guidance applies in relation to all customers.
- 1.9 The remainder of the guidance is relevant to all customers who are experiencing payment difficulties as a result of circumstances related to coronavirus and who need more tailored support.

### **Equality and Diversity**

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- 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**

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- 1.12 We want to act quickly to continue to protect consumers who are experiencing or reasonably expect to experience payment difficulties as a result of circumstances relating to coronavirus. 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.

We welcome comments from stakeholders on this draft guidance by **10am** on **Thursday 5 November**. Please send your comments to: [FCAconsumercredit@fca.org.uk](mailto:FCAconsumercredit@fca.org.uk)

## 2 Mortgages and coronavirus

- 2.1 This guidance originally came into force on 16 September 2020 and was updated on [ ] November 2020 with effect from [ ] November 2020 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 dealing with customers who:
- have benefitted from 2 payment deferrals granted under the Payment Deferral guidance
  - have benefitted from an initial payment deferral that expires after 31 October and are not eligible for a further payment deferral under the Payment Deferral guidance or
  - experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, whether or not they have benefitted from a payment deferral or other support under the Payment Deferral guidance, unless they are eligible for a further payment deferral under that guidance
- 2.3 Where a firm has dealt with customers at the end of a payment deferral period before this guidance originally 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 these 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 FCA 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 relevant conduct fell below the standards required by these Principles and MCOB.
- 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. This includes the Consumer Protection from Unfair Trading Regulations 2008. Under these regulations, a commercial practice may be unfair 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 In general, both when complying with this guidance and [MCOB 13](#) firms have flexibility and scope to tailor their approach to meet the challenge of many customers needing help at the same time.
- 2.9 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 given 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
- 2.10 Firms are responsible for ensuring that all customers get fair and appropriate outcomes and should have appropriate systems and controls to ensure compliance with this guidance and [MCOB 13](#), even when using automation or digital tools in this way.
- 2.11 Where a firm offers forbearance through a digital channel, it should ensure that customers can ask for support through a non-digital channel if they want it.
- 2.12 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 they do not charge default or arrears charges as a result. They should work with customers 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 this period.

- 2.13 We give further guidance on our expectations of forbearance under both this guidance and MCOB 13 in section 5 below. If you have any questions or concerns about this guidance, please contact us.

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

- 3.1 This section sets out how firms should treat customers at the end of an initial or further payment deferral granted under the Payment Deferral guidance, where the customer has:
- already benefitted from 2 payment deferrals granted under the Payment Deferral guidance or
  - benefitted from an initial payment deferral and is not eligible for a further payment deferral under the Payment Deferral guidance
- 3.2 The Payment Deferral guidance states that a firm should contact customers in good time before the end of a payment deferral period. The firm should give them information about the resumption of payments and on how to get further support if needed. If the customer can resume full payments, the firm should deal with the customer according to the 'customers able to resume full payments' section of the Payment Deferral guidance. This includes where a customer was given a payment deferral that continues after 31 January 2021. The Payment Deferral guidance will continue in force to the extent necessary to enable the firm to do this.
- 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. It should work with the customer to resolve these difficulties before payments are missed, in line with the rest of this section and section 5 below. Unless the customer objects, the firm may capitalise the deferred amounts.
- 3.4 Customers with ongoing 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 get worse. Many who have taken payment deferrals will still be in temporary payment difficulty. And some will be in longer term difficulty.
- 3.5 We recognise that, given the large number of customers whose payment deferrals are ending soon, firms may want to offer forms of short term support that they consider are broadly appropriate for certain types of customer. This may mean firms acting on more limited information from customers than they would otherwise gather when assessing the appropriateness of forbearance options under [MCOB 13](#).
- 3.6 Firms can offer forbearance in this way, under this guidance, provided they review it in accordance with the requirements of [MCOB 13](#), within 60 days of agreeing it. Firms should offer customers the option of requesting access to a full range of support based on an assessment of their individual circumstances.

- 3.7 This approach will not be suitable for all customers in financial difficulty. Firms should take steps to identify those customers for whom this approach is not suitable, because they require a prompt assessment of the appropriateness of any proposed forbearance option for them given their individual circumstances. This should include any customers who:
- have a payment shortfall
  - have only a short term remaining on their mortgage and no or limited scope to extend)
  - are unemployed, or have seen a significant loss of earnings
  - have high levels of overall debt or are having problems with their debt
  - for whom short term support is unlikely to be appropriate
- 3.8 Where a firm wants to offer forbearance options in this way it must have a written policy setting out:
- The range of forbearance options it proposes to offer in this way, and how it will direct customers to particular options.
  - The types of customers for whom this approach is suitable. The policy should also explain the basis for its assessment that the further temporary support these customers will receive is likely to be appropriate for them.
- 3.9 How the firm will identify those customers for whom this approach is not suitable, because they require a full assessment of their individual circumstances promptly. The policy should also set out how the firm will ensure these customers receive forbearance that is appropriate to their individual circumstances.

### **When MCOB 13 applies**

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- 3.10 Under the Payment Deferral guidance, customers should not be considered to be in payment shortfall during a payment deferral period.
- 3.11 At the end of the payment deferral period, there will be no payment shortfall for the purposes of [MCOB 13](#), 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 to resolve their payment difficulties, including where the term is extended.
- 3.12 In all other cases, firms should regard the deferred sums as a payment shortfall under [MCOB 13](#) once the next payment falls due. This is to ensure that high standards of consumer protection continue to apply. In these circumstances, the firm should:



- Clearly communicate, as part of their engagement with the customer before the end of the payment deferral, including in writing, that future communications about payment shortfalls or arrears will include the deferred amounts but in line with the Payment Deferral guidance and paragraph 4.3 below, it has not reported any worsening status to their credit file because of the amounts being included in their payment shortfall or arrears.
- Keep a record of the amount added to the shortfall because of any payment deferrals ('the deferral shortfall'), to ensure the firm can identify the unique circumstances in which this shortfall arose.
- Make reasonable efforts to reach an agreement with the customer to pay back the shortfall as part of the wider forbearance the firm offers in accordance with [MCOB 13](#).
- In considering whether and when it will take steps to repossess the property and whether all other reasonable attempts to resolve the position have failed, it should treat customers fairly and take into account that:
  - the shortfall arose by agreement between the customer and 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 do so
- Unless the customer is unreasonably refusing to engage with the firm in relation to addressing the shortfall a firm should not repossess without the customer's consent solely because of a deferral shortfall.

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

3.14 Where, after the end of a payment deferral period under the Payment Deferral 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 Credit Reference Agency (CRA) Reporting

- 4.1 This section sets out our expectations of firms for CRA reporting when dealing with customers who:
- have benefitted from a payment deferral granted under the Payment Deferral guidance or
  - experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, whether or not they have benefitted from a payment deferral or other support under the Payment Deferral guidance, unless they are eligible for a further payment deferral under that guidance
- 4.2 We expect firms to resume normal CRA reporting at the end of payment deferral periods taken under the Payment Deferral 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). This gives detailed reporting guidance for typical scenarios at the end 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 Where customers are unable to reach timely agreement with firms for appropriate forbearance after a payment deferral granted under the Payment Deferral 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.
- 4.6 For all customers, we expect firms to report any further forms of support, whether or not it follows after a payment deferral, to credit files in the usual way. This includes, for example, where it agrees to the customer making no or reduced payments for a further period, without changing the sums due under the contract.

- 4.7 Firms should ensure that they are clear about the credit file implications of any forms of support they offer customers, including rescheduling or refinancing of accounts.

## 5 Delivering effective forbearance in the current environment

- 5.1 This guidance sets out our expectations of firms for providing forbearance (whether under section 3 of this guidance or under [MCOB 13](#)) to customers who:
- have already benefitted from 2 payment deferrals granted under the Payment Deferral guidance
  - have benefitted from an initial payment deferral and are not eligible for a subsequent payment deferral under the Payment deferral guidance or
  - experience payment difficulties as a result of circumstances relating to coronavirus for the first time after 31 January 2021
- 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. They may also experience temporary interruptions in income. Customers' circumstances may change quickly, and in a way that might cause or increase 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 and anxiety to customers in financial difficulty. This may include short-term arrangements where the firm allows the customer to make no or reduced payments for a specified period.
- 5.4 But we recognise it may be challenging to achieve this in the current environment, where it is likely that many customers will require support. Firms may need to recruit extra and less-experienced staff to meet the increased demands for forbearance and may be supporting them remotely.
- 5.5 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 uncertainty, including by considering their other debts and essential living costs.
  - Firms recognise vulnerability and respond to the particular needs of vulnerable customers.

- Firms have systems, processes and adequately trained staff, with any staff incentives aligned with providing their customers with the help they need.
- Customers should receive the support they need in managing their finances, including through self-help and money guidance. Firms should signpost or refer them to debt advice if this meets their needs and circumstances.

5.6 This section builds on pre-existing outcomes of our work on managing mortgage arrears and applying 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**

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- 5.7 The Payment Deferral 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.
- 5.8 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.
- 5.9 More generally, when any customer experiencing or reasonably expecting to experience payment difficulties as a result of circumstances relating to coronavirus contacts a firm asking for 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](#).
- 5.10 By doing this firms can support customers in a way that minimises avoidable financial distress and anxiety when many customers may be experiencing uncertainty and economic shocks due to coronavirus.

### **Considering a range of forbearance options**

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- 5.11 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 or
  - (c) deferring payments due under it

- 5.12 This list is not exhaustive and we expect firms to consider other options in appropriate circumstances.
- 5.13 Firms need to ensure that they agree arrangements with their customers on sustainable terms, taking account of their individual circumstances, except in as far as they act in accordance with paragraphs 3.5-3.8 above.
- 5.14 It is particularly important that firms are flexible and use a full range of forbearance options at this time, as the 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, for example where they have been furloughed and don't know 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 to manage the spread of coronavirus.
- 5.15 Customers may also be expecting an imminent improvement to their financial situation, for example, where they have recently resumed employment after restrictions were lifted.
- 5.16 This uncertainty may make it harder for a customer to commit to an arrangement to pay, and may mean it is appropriate to delay using 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 Payment Deferral guidance. Where this is the case, firms should offer short-term arrangements where 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**

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- 5.17 Firms should be mindful that for some second charge mortgages 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 otherwise have paid. 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 adopted by some firms in this market, and that where interest is charged on sums in arrears, it is typically applied on a compound basis.
- 5.18 In such cases, and in line with paragraph 5.11 above, it is particularly important that firms consider using a range of forbearance options, including options beyond those listed in [MCOB](#). These could include applying simple interest rather than compound to 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 escalating to a point where the customer is unlikely to be able to repay the total amount owed, and give borrowers more scope to effectively address any shortfall.
- 5.19 Customers who have benefitted from payment deferrals under the Payment Deferral 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 for their first charge mortgage which could have worsened their indebtedness.

### **Reviewing arrangements**

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- 5.20 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 create or increase vulnerabilities.
- 5.21 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.
- 5.22 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**

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- 5.23 Firms should consider individual customer circumstances and any expected changes to them. Where a customer indicates that they are having difficulties paying other priority debts, we expect firms to take those debts, and the consequences of falling behind on them, into account when considering or offering forbearance. This is particularly the case when agreeing a sustainable arrangement to pay. Section 8 below sets out our expectations for firms to signpost customers to debt advice and money guidance.

### **Customer engagement**

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- 5.24 Engaging effectively with customers 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.
- 5.25 Giving customers a consistent point of contact is likely to improve interaction and deliver better outcomes. However, we know it may be challenging to achieve this in the current environment where a large number of customers require support, particularly if firms have recruited new case handlers and are supporting them remotely.
- 5.26 So it is important that firms enable case handlers to keep, and subsequently refer to, clear records of interactions with customers, including their individual circumstances and any judgements made, to give customers continuity and support.

- 5.27 Firms are responsible for putting in place sufficient resources to enable them to meet their obligations to treat customers fairly and give them appropriate forbearance. We recognise that achieving this currently where many customers need 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 manage 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 online tools where these are available
  - clearly telling customers the information or documents they will need to have to hand

### **Customer communications**

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- 5.28 Firms should ensure they give customers timely information to enable them to understand their financial position, their options and the implications of any arrangements.
- 5.29 Under [MCOB 13.3.4AR](#), a firm must give customers adequate information to understand the implications of any proposed arrangement. We expect firms to meet the same standards when acting under this guidance. Firms should 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.
- 5.30 Our Payment Deferral guidance sets out specific expectations for telling customers about the options to repay any sums covered by a payment deferral. Paragraph 3.11 above sets out additional expectations for disclosures to customers who will be in payment shortfall at the end of a payment deferral period.

[MCOB 13](#) also sets out other disclosure requirements for customers in payment shortfall.

- 5.31 Some customers can become disengaged where they are required to complete detailed forms with little help or may not have 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. Others may not have access to online channels or find digital interactions difficult.
- 5.32 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.



- 5.33 Firms should be transparent about the range of options they can consider when a customer is facing financial difficulties to enable customers and those advising them to understand and evaluate the options. Where possible firms should set these out on their websites.

### Supporting vulnerable customers

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- 5.34 [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. Firms should understand, recognise and respond to vulnerable customers' needs.
- 5.35 Many customers currently in financial difficulty, 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 customers with vulnerable characteristics at the greatest risk of harm.
- 5.36 Firms should use their communication channels, including digital channels, to proactively tell customers about the support available. They should encourage customers to explain their needs, what support would help them, and take these into account. For example, taking into account the customer's expressed communication preferences when contacting them at the end of a payment deferral and offering them a choice of channels when considering, or presenting, forbearance options.
- 5.37 Firms should particularly consider the needs of customers with protected characteristics under the Equality Act 2010, such as those with physical or mental health disabilities.

### End-to-end quality assurance

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- 5.38 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.
- 5.39 This will be particularly important now, when customer circumstances can change quickly and firms may be using less experienced staff or cannot offer customers a consistent point of contact.
- 5.40 As firms will be dealing with large numbers of customers in a short space of time, there may be limited time to refine and improve processes. 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

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- 5.41 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 extra and less experienced staff to meet the increased demands for forbearance. We know that many staff will now be working remotely from home and that firms may need to adapt their processes to provide support and oversight.
- 5.42 Nevertheless, firms should ensure that staff are adequately trained for their roles 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.
- 5.43 Firms should consider how best to ensure that their staff have the right skills, capabilities and incentives to support customers. Incentives and staff objectives should be aligned with delivering forbearance that is appropriate in customers' individual circumstances. For example, addressing operational challenges from coronavirus 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

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- 5.44 The Senior Manager accountable for providing support to customers under this guidance should 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 these in practice.
- 5.45 Executive committees and the Board are responsible for ensuring the 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.
- 5.46 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 an individual customer. Our 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 We remind firms 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 Payment Deferral 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 for new contracts apply. On disclosure, this means firms will need to issue an illustration.

## 7 Repossessions

- 7.1 A firm should not absent exceptional circumstances (such as a customer requesting that the proceedings continue) enforce repossession and should not, seek, or enforce, a warrant for possession or a warrant of restitution before 31 January 2021. But firms may commence or re-commence and continue repossession proceedings as long as they act in accordance with this guidance, [MCOB 13](#), and applicable pre-action protocols.
- 7.2 There is no 'one-size-fits-all' approach to how long firms should offer forbearance before starting a court process but action to seek possession should be a last resort and not started unless all other reasonable attempts to resolve the position have failed.
- 7.3 Firms should be mindful of the need for fair and appropriate treatment of customers who may be particularly vulnerable, including as a result of circumstances related to coronavirus. They should consider carefully the potential impacts on customers of ongoing possession proceedings when considering whether it is appropriate to commence or pursue repossession proceedings in a particular case at a time when a warrant for possession will not be sought.
- 7.4 Firms should ensure that they keep their customers fully informed, and discuss with them the potential consequences of their suspending any steps to enforce repossession. For example:
- they should explain the effect of remaining in the property on the customer's remaining equity if the amount owed is increasing or the value of the property subsequently falls.
  - firms should be mindful of the effect of MCOB 3A.2.1R(1) (which amplifies Principle 7) when applying for and obtaining a possession order, and should tell customers that although the court may rule, or has ruled, that the lender is entitled to possession of the property the lender will not take further steps to seek a warrant for possession before 1 February 2021
- 7.5 See our [information for consumers regarding mortgages during the coronavirus situation](#).
- 7.6 We also remind firms of the guidance in paragraph 3.12 above regarding customers whose payment deferrals have led to a shortfall.

## 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 Payment Deferral 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 help customers 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](#).
- 8.3 When communicating with customers, firms should signpost or refer them to appropriate money guidance, self-help tools or 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 how to avoid delaying the customer getting appropriate money guidance, self-help tools or referral to debt advice.
- 8.4 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](#).
- 8.5 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
  - 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
  - the debt advice referral strategies in the Money Advice Service [Strategic toolkit for creditors](#)
- 8.6 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.

- 8.7 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.
- 8.8 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.
- 8.9 Customers who are considering whether an arrangement by 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](#).
- 8.10 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.
- 8.11 Firms should have regard to [chapter 17 of PERG](#) in our Handbook which provides guidance on the regulated activity of debt counselling.