

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: [FCAconsumercredit@fca.org.uk](mailto:FCAconsumercredit@fca.org.uk)

Dear Sir / Madam

## **Financial Services Consumer Panel response to FCA proposals to further support motor finance and high-cost credit customers**

The Financial Services Consumer Panel welcomes the FCA proposals which will extend support to consumers who are struggling to make payments on their motor finance and high-cost credit products due to coronavirus (Covid-19). We are appreciative of the FCA taking decisive and proactive action to provide assistance so that consumers are better able to cope in these extraordinary circumstances.

We would like to take this opportunity to reiterate the points we made in our [response to 'mortgages and coronavirus: updated draft guidance for firms'](#) dated 26 May 2020 and our [response to FCA proposals to further support consumer credit consumers](#) dated 22 June 2020. We consider these points equally applicable to the FCA's proposals to extend the motor finance and high-cost credit forbearance measures.

Many consumers who are in financial difficulty at this time may well have a number of financial services products, quite possibly with a number of different providers. It is therefore important that mechanisms are developed to ensure that a holistic view is taken of these consumers. Their overall position under the different forbearance measures should be taken into account by all relevant providers. Without this the measures will fail and consumers will suffer.

Furthermore, we wish to restate how important it is that a consistent approach to forbearance is adopted, not just in financial services but across all areas where consumers may be facing affordability difficulties (e.g. rent, council tax, benefit overpayments, utility bills etc.). We welcome the extension of the motor finance and high-cost credit measures to bring the end date in line with that for mortgages and other consumer credit products. However, we are increasingly concerned about the lack of coherence between the FCA's forbearance measures and the assistance provided by the Government and other regulators. To take an example of this, it has been reported that the ban on evictions will be lifted in August<sup>1</sup>. This means that consumers who rent their home risk losing it should they not be able to meet their rental payments, whereas consumers with mortgages will be able to apply for further assistance. We strongly urge the FCA to encourage consistency in its discussions with Government and other regulators in order to prevent such unfair outcomes for consumers.

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<sup>1</sup> <https://www.telegraph.co.uk/property/renting/rental-eviction-ban-extended-end-summer/>

In addition to the points raised in our previous responses, we have the following observations:

- We are concerned about how consumers' credit files will be impacted by taking a payment holiday and whether lenders are explaining this clearly enough to their customers. We acknowledge the FCA's statement that payment holidays granted under this guidance should not have a negative impact on consumers' credit files. However, the FCA goes on to warn consumers that credit files are not the only source of information lenders use to assess creditworthiness. It is not clear what information will be factored into lending decisions, or how. This risk is made more acute where algorithms are used to make lending decisions. Such algorithms are impossible for a consumer to understand and may contain undetected bias<sup>2</sup>. Without a clear understanding of how their credit file may be impacted, consumers cannot make fully informed decisions about whether taking a payment holiday is the best thing to do. This could cause long-term damage to their credit file and restrict their access to credit in the future. We urge the FCA to be clearer in its messaging on this issue and to require firms to do the same.

This is part of a wider issue regarding the opacity of the relationships between credit scores, files and lending decisions which the FCA was exploring as part of its Credit Information Market Study. We note that the FCA has delayed its work in this area due to the Covid-19 pandemic, including delaying the publication of the Interim Report from Spring 2020 to 2021. We would encourage the FCA to resume the important work on the Credit Information Market Study as soon as possible and use any additional insights gained from consumers' experience of payment holidays to inform its findings.

- The FCA's proposed guidance does not mention how it applies to firms in administration, which we consider to be particularly important in relation to rent-to-own (RTO) and high-cost short-term credit (HCTSC) firms. This raises a number of questions which we would like the FCA to address in its final guidance:
  - Does the proposed guidance continue to apply to firms in administration?
  - What should happen if these firms no longer have the infrastructure (e.g. staff / call centres / branches) in place to deal with requests for payment deferrals?
  - Some customers will already have an affordability complaint against a firm which is in administration - what should customers expect in those circumstances? How do the proposals for deferred payments interact with this?

We would also encourage the FCA to consider the impact of firm failure on consumers' ability to access credit in the future.

- We encourage the FCA to provide guidance on the continuation of forbearance plans that have been agreed by a financial services firm where that firm has subsequently been merged or bought by a third party.

Yours faithfully,

Wanda Goldwag  
Chair, Financial Services Consumer Panel

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<sup>2</sup> <https://www.telegraph.co.uk/technology/2020/06/29/biased-code-used-british-banks-could-making-decisions-change/>