

## Draft guidance

# Consumer credit and Coronavirus: Updated Additional Guidance for Firms

November 2020

### About this guidance

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**This draft guidance sets out the form in which the FCA proposes to update the FCA's guidance entitled "Consumer credit and Coronavirus: Additional Guidance for firms" made in September 2020.**

**The proposed updates to the earlier guidance are reflected in text below.**

### Equality and Diversity

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**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.**

**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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**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**We welcome comments from stakeholders on this draft guidance by 10 am on Friday 6 November. Please send your comments to: [FCAconsumercredit@fca.org.uk](mailto:FCAconsumercredit@fca.org.uk).**

# Consumer Credit and coronavirus: Updated Additional Guidance for firms

- 1.1. This guidance (“Tailored Support guidance”) applies in the exceptional circumstances arising out of the coronavirus pandemic (Covid-19) and its impact on the financial situation of consumer credit customers who are parties to agreements of the kind to which the guidance set out in paragraph 1.2 applies. It does not apply to agreements used for business purposes. It is not intended to have any relevance in circumstances other than those related to coronavirus.
- 1.2. This Tailored Support 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 Credit Payment Deferral guidance and where they are experiencing payment difficulties once payment deferrals are no longer available under that guidance.**
- 1.3. This Tailored Support 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.**
- 1.4. It supplements our guidance, first made in April 2020 and subsequently updated in July and November 2020, the current versions of which are listed below (the guidance, as varied from time to time, are collectively referred to in this guidance as the “Credit Payment Deferral guidance”):**
- **Credit cards (including retail revolving credit) and coronavirus: further updated temporary guidance for firms**
  - **Personal loans and coronavirus: further updated temporary guidance for firms**
  - **Rent-to-own, buy-now pay-later and pawnbroking agreements and coronavirus: further updated temporary guidance for firms**
  - **Motor finance agreements and coronavirus: further updated temporary guidance for firms**
  - **High-cost short-term credit and coronavirus: further updated temporary guidance for firms**
- 1.5. The Credit Payment Deferral guidance will continue to provide support for customers affected by coronavirus.**

1.6. We want firms to deliver the following outcomes:

- Firms have due regard to the interests of their customers and treat them fairly.
- Customers are treated with forbearance and due consideration.
- Customers are given sustainable arrangements, taking into account their other debts and essential living costs, which give them reasonable time and opportunity to repay their debt.
- Customers are not pressurised into repaying their debt within an unreasonably short period of time
- Customers are protected from escalating debt once they have entered in to a forbearance arrangement with a firm based on what they can afford to pay.
- Firms recognise vulnerability and respond to the particular needs of vulnerable customers.
- Firms have clear, effective and appropriate policies and procedures for dealing with customers in payment difficulties and for those who the firm understands or reasonably suspects to be vulnerable, and have adequately trained staff to provide their customers with the help they need.
- Customers are allowed time to consider their options and, if necessary, seek debt advice before making a decision on the support they take.
- Customers are referred to debt advice if this is appropriate.

**1.7. The Credit Payment Deferral guidance will expire on 31 January 2021. We will keep this updated additional guidance under review depending on how the wider situation develops. We will consider publishing further guidance or making rules if appropriate. For the avoidance of doubt, certain provisions of the Credit Payment Deferral guidance remain in force beyond 31 January 2021 for customers granted payment deferrals under that guidance which come to an end after 31 January 2021.**

**1.8. Section 3 of this guidance focuses specifically on how firms should support customers who have already been granted payment deferrals under the Credit Payment Deferral guidance, and who remain in payment difficulties. Section 6 (Repossession (hire purchase, conditional sale and consumer hire)) of this guidance is relevant for motor finance and rent-to-own firms dealing with customers who experience payment difficulties as a result of circumstances relating to coronavirus, including customers receiving support under the Credit Payment Deferral guidance.**

**1.9. The remainder of this guidance is relevant to firms dealing with customers who have been granted payment deferrals under the Credit Payment Deferral guidance and those who experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, except, in either case, where customers are currently receiving support under the Payment Deferral guidance.**

## 2 Consumer credit and coronavirus

- 2.1. This guidance originally came into force on 2 October 2020, 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 behaviour in question.**
- 2.2. This guidance supplements the Credit Payment Deferral guidance and sets out our expectations of firms when dealing with customers who:**
- **have been granted 2 payment deferrals under the Credit Payment Deferral guidance and remain in payment difficulties;**
  - **have been granted an initial payment deferral under the Credit Payment Deferral guidance, were not granted a further payment deferral under that guidance, and remain in payment difficulties; or**
  - **experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, whether or not they have been granted a payment deferral or other support under the Credit Payment Deferral guidance, unless they are granted 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. Paragraph 2.3 does not apply where a firm dealt with a customer before this guidance came into effect under our guidance 'High-cost short-term credit and coronavirus: updated temporary guidance for firms'.
- 2.5. Paragraph 5.68 to 5.71 are the only paragraphs relevant to treatment of customers under a pawnbroking agreement.
- 2.6. This guidance is not relevant to customers whilst they are within the promotional period of Buy Now Pay Later agreements. Firms should continue to follow the Credit Payment Deferral guidance in respect of customers within the scope of that guidance and our rules (including those in CONC and Principle 6) should be followed where applicable.
- 2.7. 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')
- CONC 6 (Post contractual requirements)
- CONC 7 (Arrears, default and recovery (including repossessions)).

2.8. This guidance 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, or CONC.

2.9. A firm is likely to contravene these rules if it acts in a way which does not meet this guidance.

2.10. 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.

2.11. Under this guidance and our forbearance rules in CONC, firms have the flexibility and scope to tailor their approach to meet the challenge of many customers needing help at the same time.

2.12. Neither this guidance nor CONC 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

2.13. 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 or CONC, even when using automation or digital tools in this way. For example, firms should ensure there is the possibility of manual intervention, including where it is necessary to meet the needs of vulnerable customers.

- 2.14. 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 and ensure they provide this support.
- 2.15. 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.
- 2.16. 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 who remain in payment difficulties

- 3.1. This section sets out how firms should treat customers at the end of an initial or further payment deferral granted under the Credit Payment Deferral guidance, where the customer has
- been granted 2 payment deferrals under the Credit Payment Deferral guidance and remains in payment difficulties; or
  - been granted an initial payment deferral under the Credit Payment Deferral guidance, was not granted a further payment deferral under that guidance, and remains in payment difficulties.
- 3.2. The Credit Payment Deferral guidance sets out that firms should take reasonable steps to contact their customers in good time before the end of a payment deferral period about resuming payments and to engage with them about their options when it expires. The firm should use an appropriate medium for doing so. This could include use of a digital or scripted process. However, the firm should take into account any preferences expressed by, or known needs of, the customer.
- 3.3. This contact should inform customers of what will happen if they do not respond, including providing information about the next payment falling due after the payment deferral and how the deferred amounts will be treated. If the customer is able to resume full payments, the firm should deal with the customer under the Credit Payment Deferral guidance for Personal Loans in accordance with the section on 'customers able to resume payments' (or corresponding sections in the other Credit Payment Deferral guidance) and applicable sections of this guidance.
- 3.4. If the customer indicates that they continue, or reasonably expect to continue, to face payment difficulties at the end of a payment deferral, the firm should treat the customer fairly and work with the customer to resolve these difficulties in advance of payments being missed, in accordance with the remainder of this guidance. These expectations apply regardless of whether the customer is in default or arrears difficulties and therefore entitled to forbearance under CONC 7.

### When CONC 7 applies to customers at the end of payment deferral(s)

- 3.5. Under the Credit Payment Deferral guidance, customers should not be considered to be in arrears during a payment deferral period.
- 3.6. There will be instances where there are no arrears for the purposes of CONC 7 at the end of the payment deferral period, for example, where:
- The firm granted a full payment deferral using a contractual variation (for instance using a modifying agreement)
  - The deferred amounts are repaid in full before the end of the payment deferral period. This could include where the sums are
    - repaid in a lump sum
    - refinanced over a longer term in line with relevant rules in CONC 5 and CONC 6 (see section on refinancing below).
- 3.7. In cases where deferred amounts do constitute arrears for the purposes of CONC 7, the firm should:
- clearly communicate, as part of their engagement with the customer prior to the end of the payment deferral, including in writing, that
    - when they receive future communications (including statutory notices) concerning any arrears on their account, these will, where relevant, include the deferred amounts but
    - no worsening status has been reported to their credit file in respect of the deferred amounts or the payment deferral period(s)
  - keep a record of the deferred amounts to ensure the firm can identify the unique circumstances in which they arose
  - make reasonable efforts to reach an agreement with the customer to pay back the arrears as part of the wider forbearance offered by the firm in accordance with our rules and this guidance
  - **treat customers fairly in considering whether and when to take steps to default or terminate the agreement and comply with applicable Consumer Credit Act 1974 provisions such as section 87 in respect of default notices and section 90 in respect of retaking protected hire purchase goods.**
  - take into account that:
    - the arrears arose by agreement with the firm and in exceptional circumstances
    - the customer was not expected to address the arrears during the payment deferral period and so may have had less time to address them

- **not start action to seek possession unless all other reasonable attempts to resolve the position have failed.**

- 3.8. Firms should ensure their arrears policy specifically addresses arrears arising in these circumstances. This is to ensure that high standards of consumer protection continue to apply.
- 3.9. Where after the end of a payment deferral period under the Credit Payment Deferral guidance, the customer fails to make payments in accordance with their credit agreement this will also give rise to arrears (including for the purposes of CONC 7).
- 3.10. The expectation in the Credit Payment Deferral guidance to waive certain interest applies irrespective of the mechanism used by the firm to achieve a payment deferral and whether or not that has resulted in arrears (so, for example, we expect relevant interest to be waived where a payment deferral was given using a contractual variation such that no arrears have arisen).

### Refinancing

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- 3.11. We recognise that for some customers a return to sustainable payments may be possible without the need for forbearance. This may be the case where the customer is not able to resume the level of contractual payments provided for under their existing agreement but is able to agree to replace, vary or supplement the agreement before the end of the payment deferral period.
- 3.12. When considering whether to replace, vary or supplement the agreement, a firm must comply with our rules, including:
- CONC 5. Firms should ensure that they do not enter into a new regulated credit agreement without carrying out an appropriate creditworthiness assessment and taking that properly into account.
  - CONC 6. Firms must not:
    - encourage a customer to refinance a regulated credit agreement if the result would be that the customer's commitments are not sustainable
    - refinance the customer's existing credit with the firm unless it does so at the customer's request or with the customer's consent and the firm reasonably believes that it is not against the customer's best interests to do so
- 3.13. In determining what is in customers' interests, a firm should not have regard to its own commercial interests, including the fact that the firm may be expected to waive certain interest under the Credit Payment Deferral guidance, or prevent escalating balances under section 5 of this guidance if the customer is given forbearance. Firms should also consider that, compared to forbearance under this guidance, refinancing can lead to higher costs for consumers, which may mean it is not in the customer's best interest.

3.14. Firms should put in place a policy setting out how they will identify circumstances where refinancing may be against the customer's best interest.

3.15. Where a firm offers refinancing to a customer, customers should be given sufficient information in at least general terms to be able to compare the refinancing option to alternative options available to them, including being treated with forbearance and benefiting from the interest waiver under the Credit Payment Deferral guidance and the support under section 5 of this guidance. This information should be provided or confirmed in writing and should include as a minimum:

- that, if the customer does not refinance, they may be entitled to a waiver of additional interest accrued during the payment deferral in accordance with the Credit Payment Deferral guidance
- an explanation in general terms of the further forbearance the customer could be entitled to under this guidance if they choose not to refinance
- an explanation in general terms of the credit file implications of the refinancing as opposed to alternative forms of support the customer may be entitled to if they decline
- any early settlement charges that will become due in the event of refinancing

## 4 CRA Reporting

- 4.1. This section sets out our expectations of firms for CRA reporting when dealing with customers who:
- have been granted a payment deferral under the Credit Payment Deferral guidance; or
  - experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021
- 4.2. We expect firms to resume normal CRA reporting once all of a customer's payment deferral periods have come to an end under the Credit 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 deferred 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 Credit 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 except where this would be inconsistent with the Credit Payment Deferral guidance. 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 to customers, including the rescheduling or refinancing of accounts.

## 5 Delivering effective forbearance in the current environment

- 5.1. This guidance sets out our expectations of firms when providing forbearance (whether under section 3 of this guidance or under CONC) to customers who:
- have been granted 2 payment deferrals under the Credit Payment Deferral guidance and remain in payment difficulties;
  - have been granted an initial payment deferral under the Credit Payment Deferral guidance, were not granted a further payment deferral under that guidance, and remain in payment difficulties; or
  - **experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, unless they are granted a further payment deferral under the Credit Payment Deferral guidance.**
- 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 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, 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. But 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. We want firms to deliver the following outcomes:
- Firms have due regard to the interests of their customers and treat them fairly.
  - Customers are treated with forbearance and due consideration.

- Customers are given sustainable arrangements, taking into account their other debts and essential living costs, which give them reasonable time and opportunity to repay their debt.
- Customers are not pressurised into repaying their debt within an unreasonably short period of time.
- Customers are protected from escalating debt once they have entered in to a forbearance arrangement with a firm based on what they can afford to pay.
- Firms recognise vulnerability and respond to the particular needs of vulnerable customers.
- Firms have clear, effective and appropriate policies and procedures for dealing with customers in payment difficulties and for those who the firm understands or reasonably suspects to be vulnerable, and have adequately trained staff to provide their customers with the help they need.
- Customers are allowed time to consider their options and, if necessary, seek debt advice before making a decision on the support they take.
- Customers are referred to debt advice if this is appropriate.

5.6. This section is intended to support firms in delivering fair customer outcomes in the current circumstances arising out of coronavirus. We recognise that some firms go further than the expectations set out in this guidance in their treatment of customers with forbearance and due consideration and we don't expect this to change. This guidance does not prevent firms from treating customers more favourably.

### **Engaging with customers seeking support before missing a payment**

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- 5.7. The Credit 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 those difficulties before payments are missed, in accordance with the remainder of this section and section 3 above.
- 5.9. More generally, when a customer experiences, or is reasonably expecting to experience, payment difficulties as a result of circumstances arising out of coronavirus contacts a firm asking for support before missing a payment, we also expect the firm to treat the customer fairly, in accordance with Principle 6. The firm should offer appropriate forbearance to enable the customer to avoid, reduce or manage any arrears that would otherwise arise. This should, in particular, include consideration of the range of forbearance tools set out in CONC 7.3.5G.

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. We expect firms to consider a range of forbearance options when dealing with their customers. This could for example include:

- suspending, reducing, waiving or cancelling any further interest or charges
- permitting the customer to make no or reduced payments
- allowing the customer a reasonable time and opportunity to repay the debt, including by deferment of payment of arrears
- accepting token payments for a reasonable period
- agreeing a repayment plan

5.12. This list is not exhaustive and we expect firms to consider other options in appropriate circumstances. Where firms offer a range of options to customers, they should be clear about the different implications of these, including in relation to the total cost of credit and credit file reporting.

5.13. Firms should not take a 'one size fits all' approach and a firm offering a single solution to all customers is unlikely to be acting in a way consistent with this guidance or our rules.

5.14. 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.

5.15. 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 the use of long term solutions until a clearer picture emerges. This includes customers who have been granted payment deferrals under the Credit 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 (see "Sustainable arrangements", below). Firms should not pressurise a customer to commit to a longer-

term arrangement if the customer's circumstances may materially change in the short-term.

- 5.17. In accordance with CONC 7.3.11R firms must suspend collections activity for a reasonable period where a customer informs the firm that a debt counsellor or another person acting on the customer's behalf or the customer is developing a repayment plan. Firms should also do so where there are extenuating circumstances preventing the customer from making a payment (for example, where the customer is waiting for a benefit claim to be processed or is in hospital).
- 5.18. Firms should not consider a referral to a debt advice provider to be a substitute for working with the customer to come to an appropriate arrangement in relation to the customer's agreement, including a forbearance arrangement. Our expectations around debt advice referrals are set out in Section 7 of this guidance.

### **Sustainable arrangements**

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- 5.19. Firms should only put in place arrangements that are sustainable. A sustainable repayment arrangement is one that does not adversely affect the ability of the customer to meet their essential living expenses and priority debts. In determining what is sustainable, firms should consider the customer's circumstances and any expected changes in those circumstances.
- 5.20. Essential living expenses include rent, mortgage payments and council tax, reasonable food, clothing, health care and travel costs, and any other expense where non-payment could result in the loss of the customer's home, or essential goods and services.
- 5.21. Priority debts include arrears of mortgages, other secured loans, rent, council tax and gas and electricity supply and arrears under hire purchase or conditional sale agreements where it is necessary for the customer to retain use of the underlying goods. Non-priority debts typically include unsecured loans and credit cards.
- 5.22. A customer's disposable income is the amount left over after essential living expenses and priority debts are met.
- 5.23. Where a customer has multiple non-priority debts, we expect a sustainable arrangement to be no more than the firm's proportionate share of the customer's disposable income (the firm may choose the basis on which to determine this provided that this is reasonable and after considering any preferences of the customer).
- 5.24. If a customer makes a repayment proposal, we would only expect a firm to refuse that proposal where it can demonstrate that the customer can afford to make a higher repayment that is sustainable based on an objective assessment of income and expenditure in accordance with the section on "Income and expenditure assessments", or where the customer has failed to engage with the firm in a reasonable way to enable the firm to make this assessment.

- 5.25. Where a customer, without prompting or pressure from the firm, makes a proposal to the firm, the firm may put this in place without undertaking an income and expenditure assessment. The firm should make clear to the customer that they can request a review of this arrangement at any time. The firm should also contact the customer after 60 days of the arrangement being in place, to confirm whether they require further support or a review of the sustainability of their arrangement (for example, on the basis of an income and expenditure assessment).
- 5.26. Firms should also monitor the arrangement for signs that it may not be sustainable (for example, based on information the firm holds or missed payments).
- 5.27. If the firm identifies signs that the arrangement is not sustainable, the firm should review the arrangements with the customer and put in place a sustainable arrangement on the basis of an objective assessment of income and expenditure under this guidance (see "Income and expenditure assessments", below).
- 5.28. Where a firm proposes token or no payments, the firm may also put this in place without undertaking an income and expenditure assessment (and may assume that the arrangement is sustainable). However, we would still expect firms to monitor the arrangements for signs that they may not be sustainable (for example, based on information the firm holds or missed payments) and, if detected, review the arrangements on the basis of an objective assessment of income and expenditure under this guidance (see "Income and expenditure assessments", below).
- 5.29. Customers experiencing difficulties with multiple debts, and especially those unable to meet essential living expenses and priority debts, may benefit from debt advice. Section 7 of this guidance sets out our expectations around debt advice referrals.

### **Income and expenditure assessments**

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- 5.30. Where a firm assesses income and expenditure we expect it to do so in an objective manner, for example by reference to the spending guidelines in the Standard Financial Statement.
- 5.31. The purpose of the income and expenditure assessment should be to assess the customer's level of disposable income in order to enable the firm to assess whether a customer's proposal is unsustainable, or whether the firm's proposed level of payments is sustainable.
- 5.32. Firms should have clear written policies setting out how they conduct income and expenditure assessments.
- 5.33. Where a customer has credit secured on a good or has a good subject to a hire purchase or conditional sale agreement the firm should ask the customer whether the good is a necessity to determine if the debt is priority or non-priority. Where a customer regards a good as a necessity, firms should only treat arrears relating to that good as a non-priority

debt where the firm can objectively demonstrate that the good is not a necessity for the customer.

5.34. The firm should, where possible and within its 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.

### **Preventing escalating balances**

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5.35. The support firms provide in the current exceptional circumstances should reflect that many customers may be suffering severe but potentially temporary payment difficulties, and this support should afford them with sufficient time and opportunity to address their situation and enable them to recover their financial position.

5.36. CONC sets out examples of treating a customer with forbearance and due consideration, which could include a firm considering suspending, reducing, waiving or cancelling any further interest or charges where, otherwise, the debt would escalate.

5.37. Where a firm has put in place a repayment arrangement as a forbearance measure, and for as long as the customer is making payments in accordance with that arrangement, we expect that the firm will, as a minimum, suspend, reduce, waive or cancel any further interest, fees or charges (including, for the avoidance of doubt, those charges firms are permitted to impose under CONC 7.7.5R) to the extent necessary to ensure that the level of debt under the agreement does not rise for the period of that arrangement. This expectation does not apply prior to the repayment arrangement being in place.

5.38. The amount of interest, fees and charges that the firm is expected to suspend, reduce, waive or cancel may vary over the period of the repayment arrangement depending on what the customer is expected to pay under the arrangement. For example, if the customer's circumstances improve and the customer is able to pay larger amounts under the repayment arrangement then the firm will not be required to waive as much interest, fees or charges to prevent the balance from escalating.

5.39. We recognise that many firms provide more generous forms of forbearance, such as freezing all interest and charges, or writing off the balance on the account, and this guidance should not affect that.

5.40. Paragraphs 5.37 and 5.38 do not:

- apply in relation to regulated credit agreements under which the customer is able to access further credit (so, for example, the paragraphs would apply where a customer has borrowed up to their credit limit on a credit facility or where the use of the credit facility is suspended)

- apply to any interest or charges payable in respect of the promotional period under a BNPL agreement (once the customer becomes liable to pay such interest or charges they should be regarded as part of “the debt under the agreement” for the purposes of paragraph 5.37)
- prevent firms from proceeding with their usual collections and recoveries activities where appropriate, which may ultimately lead to default and termination of the agreement

### Reviewing arrangements

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- 5.41. Firms should regularly monitor and review customers’ arrangements, to ensure that their circumstances have not changed and the arrangement remains sustainable. This is important in the current environment where a consumer’s circumstances can change quickly, and in a way that might expose or exacerbate vulnerabilities. If firms are using their standard processes for monitoring and reviewing arrangements, they will need to satisfy themselves that these are sufficient in the current environment.
- 5.42. 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 informs the firm that their circumstances have changed, the firm should reconsider what support they need.
- 5.43. Firms should not repeatedly pursue one forbearance option (such as a full payment deferral) 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.

### Customer engagement

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- 5.44. Effective customer engagement is very important where customers may be experiencing significant uncertainty, stress and anxiety about their wellbeing and financial circumstances due to coronavirus. Aggressive or coercive collections practices will run counter to this and contravene Principle 6 and CONC.
- 5.45. Where customers have to repeatedly describe their circumstances this can be stressful and lead to them becoming anxious or disengaged.
- 5.46. 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 many customers require support may be challenging, and if firms have recruited new case handlers and are supporting them remotely.

5.47. 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.

5.48. 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 many 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

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5.49. Firms should ensure customers receive timely information to enable them to understand their financial position in relation to the debt, their options and the implications of any arrangements including where a firm is allowing a customer to select a forbearance option from a range the firm deems appropriate.

5.50. We expect firms to be clear about the impact of any further forbearance options including the impact on overall balance and any credit file implications of any support offered to customers at the end of payment deferral periods. This could be expressed in general terms.

5.51. 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, while others may not have access to online channels or find digital interactions difficult.

5.52. 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

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- 5.53. CONC 7.2.1R 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. In light of the current circumstances and the increased likelihood that customers in financial difficulty will be particularly vulnerable, firms should consider whether their policies and procedures remain fit for purpose.
- 5.54. Many consumers experiencing 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 vulnerable customers at the greatest risk of harm.
- 5.55. 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.
- 5.56. Firms should look closely at the needs of consumers with protected characteristics under the Equality Act 2010, such as those with physical or mental health disabilities. In Northern Ireland, where the Equality Act 2010 does not generally apply, firms should adopt the same principles.
- 5.57. Firms should have regard to the principles outlined in the Money Advice Liaison Group (MALG) Guidelines 'Good Practice Awareness Guidelines for Consumers with Mental Health Problems and Debt'. Where firms are not having regard to this, they should be able to demonstrate how their own policies are designed to achieve good outcomes for customers with mental health or mental capacity challenges.

### Training, competence and staff incentives

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- 5.58. 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.
- 5.59. 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.
- 5.60. 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.

### End to end quality assurance

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- 5.61. 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.
- 5.62. This will be very important now when customer circumstances can change quickly and if firms are using less experienced staff or cannot offer customers a consistent point of contact.
- 5.63. 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 very 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.

### Governance and oversight

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- 5.64. The Senior Manager accountable for providing support to consumers 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 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.
- 5.65. Executive committees and the Board are responsible for ensuring the function(s) providing customer support in line with this guidance is appropriately resourced and demonstrates 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.
- 5.66. 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.

### Hire purchase and conditional sale - voluntary terminations

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5.67. Where it may be in a customer's interests to exercise their right to terminate a hire purchase or conditional sale agreement under section 99 or section 100 of the Consumer Credit Act 1974, a firm should inform the customer in good time of that right, providing information in a way that is clear, fair and not misleading to help on the customer decide how to proceed. Firms should consider deferring legal liabilities associated with voluntary terminations.

### Pawnbroking

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5.68. Where a customer, who has not had assistance from a firm under the Credit Payment Deferral guidance in relation to a pawnbroking agreement, is facing payment difficulties due to circumstances arising out of coronavirus, the firm should consider whether to:

- extend the redemption period in a case where the redemption period has not ended when the firm becomes aware of the customer's difficulties.
- refrain from giving notice of intention to sell an item of pawn for a further period or, if notice of intention to sell has been given, consider whether to suspend the sale for a further period (in a case where the redemption period has ended when the firm becomes aware of the customer's difficulties).

5.69. The firm should only take any of the steps in paragraph 5.68 where this is in the customer's interests. In considering whether this is in the customer's interest the firm should consider the prospect of the customer being able to recover the pawn and the amount of equity in it. For example, it is unlikely to be in the customer's interests to extend the redemption period or delay sale of the item where it is obvious the customer has little prospect of recovering the pawn and there is significant equity in the pawn which will deplete.

5.70. Where a customer is unable to attend a store to redeem an item taken in pawn because they are following the Government's instructions to self-isolate or shield or where a store is closed because of coronavirus, no interest, fees or charges should be charged for that period. This includes where a customer is not able to make a payment remotely or the firm is unable to accept such payments.

5.71. Where a firm has closed its stores, they should communicate this and any implications to customers, for example by SMS (text message) or email, signs in store windows, or recorded messages on their phone lines. Firms should also make it clear how customers can get in touch with them.

### Credit cards and revolving credit

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- 5.72. Firms are reminded that, under the Credit Payment Deferral guidance, the persistent debt provisions in CONC are suspended for customers granted payment deferrals under that guidance but only for the period of the payment deferral/s. The provisions will apply to these customers again when the deferral period ends. They also apply in relation to customers who experience payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021.
- 5.73. Firms are reminded that where they take steps, in relation to a customer in persistent debt, that are equivalent to, or more favourable than, those required under CONC 6.7.37R, the firm is not required to comply with the persistent debt rules as set out in CONC 6.7.27R(3)(c), 6.7.29R(5) and 6.7.30R(4), provided that the firm continues to take those steps.

## 6 Repossession (hire purchase, conditional sale and consumer hire)

- 6.1. This section sets out our expectations of firms in respect of customers under regulated motor finance agreements or rent-to-own agreements who experience payment difficulties as a result of circumstances relating to coronavirus, including where they are receiving support under the Credit Payment Deferral guidance.**
- 6.2. A firm should not, absent exceptional circumstances, terminate the regulated agreement or repossess goods or vehicles under the agreement that the customer needs before 31 January 2021. An example of exceptional circumstances in the case of a firm seeking possession of a vehicle through the courts is where the customer requests that the proceedings continue. Firms are permitted to commence or re-commence and continue proceedings where a court order is required to recover possession of the goods or vehicles as long as they act in accordance with this guidance, relevant regulatory and legislative requirements and pre-action protocols.**
- 6.3. There is no 'one-size-fits-all' approach to how long firms should offer forbearance before commencing proceedings but action to seek possession should be a last resort and not started unless all other reasonable attempts to resolve the position have failed.**
- 6.4. 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 proceedings to recover possession of the goods or vehicles when considering whether it is appropriate to commence or pursue proceedings to recover possession of goods or vehicles in a particular case at a time when repossession of the goods or vehicles will not be sought.**
- 6.5. Firms should ensure that they keep their customers fully informed, and should make customers aware of the potential consequences of the firm suspending any actions towards taking repossession of the goods or vehicles, including on the value of the goods or vehicles.**
- 6.6. Firms should have regard to the unfair relationship provisions under the Consumer Credit Act 1974 where applicable, as an unfair relationship can be established from the way in which a firm exercises or enforces its rights under the agreement (see sections 140A(1)(b) and 140A(2)).**



## 7 Debt help and money guidance

- 7.1. Customers who are coming to the end of a payment deferral or other temporary relief granted under the Credit Payment Deferral guidance, as well as those experiencing payment difficulties as a result of circumstances relating to coronavirus after 31 January 2021, might benefit from some help to manage their credit payments or their money more generally. Customers in different circumstances are likely to have different debt help or money guidance needs.
- 7.2. 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](#).
- 7.3. When communicating with customers, firms should signpost, or refer to, appropriate money guidance or 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 this delaying the customer getting appropriate money guidance, self-help tools or referral to debt advice.
- 7.4. 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](#).
- 7.5. Firms should try to make such referrals as effective as possible, and should consider:
  - encouraging consumers to use digital tools, where appropriate
  - offering to transfer a consumer'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 highlighted in the [Money Advice Service 'Strategic toolkit for creditors'](#)
- 7.6. 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.

- 7.7. 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 consumer's needs.
- 7.8. 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](#).
- 7.9. 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.
- 7.10. Firms should have regard to [chapter 17 of PERG](#) in our Handbook which provides guidance on the regulated activity of debt counselling.