

Policy Statement

PS24/2

Strengthening protections for
borrowers in financial difficulty:
Consumer credit and mortgages
Feedback to CP23/13 and final rules

April 2024

This relates to

Consultation Paper 23/13
which is available on our website at
www.fca.org.uk/publications

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Chapter 1

Summary

- 1.1** UK households' financial resilience has weakened following the pandemic and increasing cost of living. It is important that firms continue to support their customers, particularly those in or potentially facing financial difficulty, and those who are vulnerable.
- 1.2** In May 2023, we consulted on rules to strengthen protections for mortgage, consumer credit and overdraft customers in financial difficulty ([CP23/13](#)). This consultation included proposals to incorporate aspects of our coronavirus Tailored Support Guidance (TSG) into our Handbook, as well as further, targeted changes to support customers in financial difficulty.
- 1.3** This Policy Statement (PS) confirms our final rules and summarises feedback received during the consultation, and our response.

Who this affects

- 1.4** This PS will primarily affect:
- consumer credit lenders (including MCD article 3(1)(b) lenders)
 - premium finance firms
 - mortgage lenders and administrators
 - home purchase providers and administrators
 - firms who carry out activities in relation to consumer hiring, operating an electronic system in relation to lending (in relation to a borrower under a P2P agreement) or debt collecting
 - consumer credit and mortgage lenders in supervised run-off under the financial services contracts regime
 - Gibraltar-based consumer credit and mortgage lenders passporting into the UK

The wider context of this policy statement

- 1.5** During the coronavirus pandemic we introduced our TSG for [Consumer Credit](#), [Mortgages](#) and [Overdrafts](#). This guidance made clear how firms could support customers in financial difficulty due to the pandemic, taking account of a customer's individual circumstances.
- 1.6** Since then, consumers have been facing increased financial challenges due to the rising cost of living. Our June 2022 [Dear CEO letter](#) set out how we expected firms to support their customers to meet these challenges, and the application of the TSG in these circumstances. In November 2022, our [Borrowers in Financial Difficulty](#) (BiFD) report outlined findings that, while some firms were delivering good outcomes for borrowers in difficulty, many firms were falling short of our expectations, resulting in harm.

- 1.7** CP23/13 set out how we proposed to build on the TSG and provide a stronger framework to protect customers facing payment difficulties, principally by incorporating relevant aspects of the TSG and Overdrafts Finalised Guidance into the Handbook.

How it links to our objectives

Consumer Protection

- 1.8** These new rules and guidance advance our objective to secure an appropriate degree of protection for consumers. They aim to reduce and prevent harm to those who are in or at risk of payment difficulties by ensuring they are provided with appropriate support.
- 1.9** This includes requiring firms to consider the needs of different consumer groups, particularly vulnerable consumers who may be at greater risk of harm, and taking appropriate action to mitigate these risks.

Secondary international competitiveness and growth objective

- 1.10** We consider these final rules and guidance to be compatible with our secondary international competitiveness and growth objective. These new rules are proportionate to the consumer harm identified and build on existing non-Handbook guidance, minimising implementation costs and simplifying our regulatory framework.

Our consultation

- 1.11** Our consultation set out the aspects of the TSG that we proposed to incorporate into our Handbook. Key proposed changes included:
- broadening the scope of relevant consumer credit and mortgage chapters to make clear to firms that appropriate support should be provided to customers in or at risk of payment difficulty
 - enhancing our expectations around customer engagement and providing information including on money guidance and debt advice
 - expecting firms to consider a range of forbearance options and take reasonable steps to ensure arrangements remain appropriate
 - for consumer credit, expecting firms to take into account the customer's individual circumstances when providing forbearance (which is already expected for mortgage firms)
- 1.12** We also proposed targeted additional changes, separate to the TSG, to support consumers in financial difficulty.
- 1.13** For consumer credit firms, we proposed an additional change beyond the TSG to:
- introduce guidance to help firms determine their necessary and reasonable costs in setting fees and charges

1.14 For mortgages, we proposed to:

- change our guidance to allow firms more scope to capitalise payment shortfalls where appropriate
- improve disclosure for all customers in payment shortfall
- make clearer our existing requirement to record telephone calls with customers in payment shortfall, including video conferencing

What we are changing

1.15 We received 39 responses from stakeholders including firms, trade bodies and consumer groups. Overall, respondents were largely supportive of our proposal to incorporate the relevant components of the TSG into the Handbook. We are finalising most of the rules and guidance broadly as they were consulted upon, with some amendments. These amendments include:

- Clarifying that information given to customers to help them understand the implications of any proposed arrangement must include how it will be reported to their credit file in factual terms.
- Explaining what we mean by priority debts in the relevant sourcebooks by linking to the existing Handbook definition. For credit including overdrafts, changing our proposed guidance so that priority debts and essential living expenses include, *but are not limited to*, payments for mortgages, rent, council tax, food and utility bills.
- For mortgages, we are not making the proposed changes to the provision of information requirements in MCOB 13.4. However, we are making changes to MCOB 13.5 so firms will be required to send regular statements to all customers in arrears, regardless of whether the payment shortfall is attracting charges.
- For mortgages, changing our proposed guidance so that firms should be transparent about the range of forbearance options they may consider, rather than will consider.
- For credit including overdrafts, including a reference to firms communicating a customer's options in CONC 7.3.13AG 2(c) and CONC 5D.3.11G(2)(c).
- For credit, placing more emphasis on supporting customers to engage through appropriate accessible channels. We have amended our provision in CONC 7.3.13AG(3) to reflect this.
- For credit, we are finalising our escalating balances provision with an amendment to remove **suspend** from the provision to provide additional clarity on our expectations.
- For credit, we are not introducing the guidance proposed under CONC 7.7.6G (2) and (3) on charges. We are introducing the guidance originally proposed under CONC 7.7.6G(1) with amendments relating to the frequency and nature of events to which the charges relate.
- For credit including overdrafts, changing our proposed guidance under CONC 7.3.5JG on reviewing forbearance measures to **may** include reviews at appropriate intervals.

- For credit including overdrafts, revising CONC 7.3.5E G(2) and CONC 5D.3.9 G(2) to 'a firm may have regard to the spending guidelines in the Standard Financial Statement or an equivalent tool'.
- For credit, amending the proposed guidance at CONC 7.3.7AG(4) that **where possible**, firms should make available to the customer a record of any income and expenditure assessment that the firm has made to enable the customer to share the record with other lenders and debt advice providers.
- For overdrafts, we are not progressing our proposed guidance at CONC 5D.3.3G(7) regarding the publication of details of eligibility criteria and interest rates for refinance loans on firms' websites.

1.16 Two stakeholders questioned the application of our credit proposals to SME lending. We discuss this further in Chapter 3.

1.17 We have also updated our cost benefit analysis (CBA) figures as we identified additional firms engaged in SME lending and other relevant activities, including consumer hire firms. We remain of the view these costs are proportionate given the expected benefits we identified and, where possible quantified, in the CBA. We set out the revised costs in Annex 2.

Implementation Period

1.18 In the CP, we said we expected the rules to come into force in H1 2024. We received feedback from some industry respondents that there should be a 12-month implementation period for these final rules. They asked that we consider this period alongside other regulatory requirements coming into force, such as the Consumer Duty. As a result, we are giving firms just over 6 months to implement these changes. We consider this will allow firms time to adopt the necessary changes, as many of the Handbook changes make permanent existing expectations under the TSG which have become industry good practice.

Measuring success

1.19 We will engage with a range of stakeholders about the impact of our intervention. As part of our ongoing supervision of firms, we will continue to monitor market and regulatory data and intelligence, which includes measures relating to customers in financial difficulty. We will use this data to identify outlier firms and products and assess the support and outcomes customers in financial difficulty receive. We will also monitor complaints and information we receive from the Financial Ombudsman Service regarding the treatment of customers in financial difficulty.

1.20 In line with our Rule Review Framework, if we find that the problems originally identified in a market are still occurring and our remedies have not had the intended effect, or had an unintended effect, we will consider whether to take further action. If while monitoring the data, including stakeholder feedback, we identify a potential problem with how our intervention is working, we will consider whether to undertake an evidence assessment.

Equality and diversity considerations

- 1.21** We have considered the equality and diversity impacts that may arise from the rules and guidance in this policy statement. We do not consider that they will negatively impact any of the groups with protected characteristics under the Equality Act 2010. They may have a positive impact for persons with the protected characteristic of disability. This is due to a potentially greater likelihood of these consumers experiencing payment difficulties. For example, the [Office of National Statistics](#) research on the impact of the increased cost of living found that disabled people were more likely to have difficulty affording their household bills.

Next steps

- 1.22** The rules come into force on **4 November 2024**. We will withdraw the TSG at the same time.

Chapter 2

Feedback from CP23/13 and our response

- 2.1** This chapter summarises feedback received and our response, including any changes we are making.

Supporting customers at risk of payment difficulty

- 2.2** To deliver on the TSG's expectation that firms offer support before a customer misses a payment, we proposed to extend the scope of our rules and guidance that protect borrowers in payment difficulty (CONC 7 and MCOB 13). Specifically, we proposed that these protections be afforded to customers who indicate that they are at risk of missing a payment, or where this is otherwise identified by a firm. We also proposed to amend CONC 5D with the intention that firms identify as early as possible customers showing a pattern of repeat overdraft use. We asked:

Question 1: *Do you agree with our proposed changes to the scope of:*

- a.** CONC 5 & 7?
- b.** MCOB 13?

Supporting customers at risk of payment difficulty: Credit

- 2.3** Most respondents supported the proposed changes to the rules and guidance in CONC 7. They recognised that appropriate support at an earlier stage will give consumers a wider, clearer view of the options available to them, and time to put measures in place which can help prevent their financial situation worsening. However, there were different views between respondents on the extent to which customers in potential difficulty prior to entering into arrears could or should be identified by firms. Some consumer bodies wanted a stronger shift in emphasis to require lenders to proactively seek to identify customers in emerging difficulty. One consumer body suggested adding guidance and extending the wording of our proposed rule to include situations in which 'firms are aware that a customer is at risk of not meeting repayments'. In contrast, some firms and a trade body raised concerns on proactively identifying such customers, with many firms being limited in the information they have to identify customers in the early stages of payment difficulty.
- 2.4** One consumer body suggested adding wording clarifying that being unable to meet repayments includes situations in which a customer cannot affordably meet repayments.
- 2.5** One firm suggested it would be helpful to introduce a more flexible approach for reporting to Credit Reference Agencies (CRAs) for certain forbearance arrangements. For example, where light touch, short-term arrangements could have a different impact compared to forbearance arrangements designed to support customers in more long-term and severe financial difficulty. They noted pre-arrears customers may have concerns about whether seeking support could have potential impacts on

their credit files and their subsequent ability to access credit. They considered a more flexible approach to reporting to CRAs would help to remove such barriers to earlier engagement.

Our response

We remain of the view that our proposals will benefit customers by helping them to receive earlier support. Following broad agreement from stakeholders we are proceeding with our proposal to expand the scope of the rules and guidance to cover customers approaching arrears. In light of the strong support for our proposed trigger point for this earlier support as the point at which a customer indicates to the firm they are at risk of not meeting one or more repayments when they fall due, we are including it in the finalised guidance. We also highlight our existing requirements for firms to monitor a customer's repayment record and take appropriate and proactive action where there are signs of actual or potential repayment difficulties (CONC 6.7.2R and CONC 6.7.3AR/CONC 6.7.3B-D(G)). We consider this combination of customer and firm-led action achieves a proportionate balance for firms to provide appropriate support to customers at an earlier stage and will encourage customers to engage with their lender before they miss a payment.

We note some stakeholders' suggestions that our rules should explicitly require firms to provide support where they are aware that a customer is at risk of not meeting repayments. We agree that it is reasonable to expect firms to provide appropriate support in these circumstances, rather than ignore such information. We consider that this point is addressed in our proposed rule for firms to take into account the individual circumstances of the customer of which the firm is aware or should be aware when determining appropriate forbearance and treating the customer with due consideration (new CONC 7.3.4BR) as well as firms' obligations under Principle 12 (Consumer Duty) and PRIN 2A, or Principle 6 (Customers' interests), as applicable.

We recognise that it is not possible or proportionate for firms to proactively identify all customers who may be at risk of not meeting repayments, particularly where there is limited information. Our rules and guidance do not introduce new requirements on firms to take additional steps, or create new processes and systems, to identify customers who may be in financial difficulty. Our focus is on clarifying potential trigger points where firms should consider how to treat customers approaching arrears with forbearance and due consideration.

We do not propose to add wording that being unable to make repayments includes where a customer cannot do so affordably. As described above, we would encourage customers to contact firms if their circumstances change and they think their payments are becoming unaffordable.

In response to the feedback on reporting to CRAs, we recognise that some consumers can be worried about the credit file impacts of seeking

support from lenders and that this can be a barrier to earlier engagement. We have recently published our [Credit Information Market Study Final Report](#) which has considered certain issues relating to how borrowers in financial difficulty are reflected in credit information. Pending any changes made to these processes following that report, we expect lenders to provide clear information on how they report information to customers' credit files. We consider this further below in the section Providing information to customers.

Supporting customers at risk of payment difficulty: Overdrafts

- 2.6** Consumer group representatives and debt advice bodies supported the stronger emphasis on a proactive, data-driven approach to early intervention by lenders. Many respondents referred to experience and research which shows that struggling customers are reluctant to self-identify for a number of reasons. These include low awareness, anxiety, stigma and fears of the potential negative impact of asking for help. It was noted that shifting the focus of intervention to an earlier stage had significant potential to improve outcomes for struggling customers.
- 2.7** Consumer bodies and debt advice bodies also supported proposals to encourage the use of a greater range of indicators or triggers that help firms in determining which customers may require additional support.
- 2.8** A trade body advised that its members did not support an expansion of the repeat use rules that would deviate from the current definition of 'a pattern of overdraft use where the frequency and depth of use may result in high cumulative charges'.
- 2.9** The trade body also advised that members did not support the inclusion of CONC 5D.1.1R (4) (b). They gave examples of the type of information that may be obtained from personal current accounts (PCAs) to help identify customers who are at risk of actual or potential financial difficulty. They felt that this additional requirement was overly prescriptive and intrusive and not appropriate for a mass market product which is managed at a portfolio level.
- 2.10** It was suggested by the trade body that existing CONC rules (CONC 6.7.2R and CONC 7.2.1R) already require overdraft lenders to identify and support customers in financial difficulty. These existing rules require firms to monitor customers' accounts for signs of actual or possible repayment difficulties and to have appropriate policies and procedures for dealing with customers whose accounts fall into arrears. Several firm respondents and a trade body raised a concern that the amendments to our repeat use rules in CONC 5D could lead to inappropriate communications with customers where their overdraft use does not show repeat use and/or the customer is not in financial difficulty. Multiple communications or inappropriate communications could have the unintended consequence of dis-engaging customers from relevant communications when they are sent. It was suggested by a firm that there could be unintended consequences of contacting more customers than are necessary, rather than those who need support the most.

- 2.11** Two firms asked us to confirm that our proposed new guidance at CONC 5D.1.1A (G) on the indicators of financial difficulty should refer to essential living expenses rather than all living expenses including discretionary spending.

Our response

Identifying customers who are showing a pattern of repeat use as early as possible

The experience of the pandemic and rising household costs shows that when income shocks, such as job loss, occur or household costs suddenly increase when utility and food costs rise, a pattern of overdraft repeat use may occur in a very short period. This may indicate that the customer is experiencing or at risk of financial difficulties. By using an appropriate range of indicators, including relevant information from PCAs, firms should be able to identify and support as quickly as possible customers who face actual or potential financial difficulties. Early identification of those requiring support, and timely offers of support including forbearance, can help to ensure that customers achieve good outcomes.

We remind firms that they are responsible for developing their own repeat use strategies. Our view continues to be that firms themselves are best placed to understand their own overdraft lending book. Our rules are not prescriptive about which indicators firms should use. We encourage firms to use a range of indicators to help them determine which customers might be facing financial difficulties. As overdrafts are a mass market product, firms may choose to initially use broad indicators to determine which sections of their portfolio are likely to experience harm from repeat use of overdrafts, then apply further indicators or triggers to understand which customers fall within the scope of CONC 5D.2 and CONC 5D.3.

Use of relevant information from PCAs

PCA activity can give a firm helpful insight into a customer's finances, beyond those that would be obtained purely from analysing the level of overdraft borrowings. Information on changes in income levels and changes in periodic payments, taken along with information on levels of borrowing, can help the firm to more fully understand if a customer is facing, or likely to face, financial difficulties.

Firms offering PCAs and overdrafts are likely to have advanced analytics teams and we encourage firms to use these resources to develop models that appropriately use the full range of data available to firms to identify customers most at risk of harm.

The PCA activities detailed in CONC 5D.1.1R (4)(b) are examples of the type of transactional indicator that firms may use, potentially alongside other indicators to identify customers who are most at risk of financial difficulties. Again, we encourage firms to develop models

using appropriately and proportionately the range of data held on the customer's overdraft usage and PCA activity to identify those most likely to need support.

CONC 5D.4.1R continues to be relevant and firms should monitor and periodically review the effectiveness of their policies, procedures and systems and update or adjust them as appropriate. This includes reviewing the triggers or indicators that it uses to identify customers with a pattern of usage that indicates actual or potential financial difficulties. If particular indicators or models are not delivering the good outcomes needed for customers, then the firm should amend its procedures and systems to ensure improved outcomes.

Nature and timing of communications with customers

Our rules do not prescribe particular indicators or triggers and our rules are not prescriptive around the timing and content of customer communications or channels used. Our objective remains that firms use the range of information available to them to appropriately identify customers who are in actual or potential financial difficulty.

CONC 5D.3.3G(2) reminds firms that they have discretion to 'tailor the language and tone of communications to the circumstances of the individual customer'. We consider that our rules give adequate scope for firms to develop communications that reflect the concerns raised by particular indicators. These communications can then be delivered in ways that encourage customer engagement.

We agree with respondents that there are unintended consequences of issuing multiple communications to customers. We remind firms that communications should be appropriate and proportionate, according to the needs of the individual customer.

Definition of financial hardship

We acknowledge the concerns of respondents and to aid understanding of our intent in CONC 5D, we have amended 'living expenses' to 'essential living expenses'.

Application of CONC 7.2.1R and CONC 6.7.2R

The scope of CONC 7 is limited, its application being restricted to customers in or approaching arrears or in default. CONC 6.7.2R requires firms to monitor the repayment record of borrowers.

As overdraft facilities cannot be in arrears, and facilities do not have fixed repayment requirements, our rules in CONC 5D have been introduced to set our expectations of how firms should monitor overdrafts and provide appropriate support to overdraft borrowers who require it.

Supporting customers at risk of payment difficulty: Mortgages

- 2.12** Most respondents welcomed the requirement to consider earlier support and recognised the value in helping customers who may be facing payment difficulties but are yet to miss a payment.
- 2.13** Some industry representatives believed our proposals included a change to the Handbook definition of arrears. One firm thought our proposals would change the definition of arrears to include accounts in payment shortfall. One respondent thought that, under the TSG, payment shortfall was not an indicator that a customer has or may have payment difficulty.
- 2.14** Some firms suggested we make expectations regarding the identification of customers at risk of payment shortfall clearer in our Handbook. In contrast, consumer groups suggested that firms should be required to proactively identify and reach out to customers that may have payment difficulties, particularly where a customer has multiple products with the same firm. One respondent asked us to explain why we do not require any proactive monitoring. Another did not think the proposals go far enough to address what they see as the underlying problem of ineffective early intervention.
- 2.15** One firm argued that offering forbearance too early could create the risk of customers making decisions which may lead to poor outcomes. For example, a customer agreeing to an arrangement which could result in them paying more interest over the longer term.
- 2.16** Some industry respondents interpreted our proposals as a departure from the TSG's discretionary approach to early, tailored support, particularly on communications. Many industry respondents argued that in combination with our proposed changes to the provision of information and statements (Question 19) the proposed rule changes led to more mandatory provision of information, and less scope for firms to tailor their communications and support for customers who may be at risk. They argued this would lead to disproportionate and intrusive contact, particularly for customers with very small payment shortfalls, leading to unnecessary stress and anxiety, resulting in disengagement.

Our response

We are finalising the changes to MCOB 13.3.1R as proposed.

MCOB 13 already requires firms to deal fairly with any customer who has a payment shortfall, and this will remain the case. We have not proposed to change the Handbook definitions of payment shortfall or arrears.

Our rule changes mean that a new cohort of customers are being brought into scope of MCOB 13, in addition to those in payment shortfall. These are customers who indicate to the firm that they are at risk, or where the firm otherwise becomes aware that they may be at risk, of falling into payment shortfall.

This change ensures that customers are offered support, where appropriate, to help with any payment difficulties before they miss a payment. As a result of these changes a firm must consider whether it is appropriate to communicate the availability of free and impartial money guidance and debt advice, and whether it is appropriate to offer a particular arrangement to the customer. This allows firms similar discretion as provided under the TSG to tailor their communications and support offered to a customer's individual circumstances.

We do not agree that the provision of earlier support will result in poor outcomes for customers. Firms must already have policies and procedures in place setting out how they will deal fairly with any customer in payment shortfall (MCOB 13.3.1R (2)) and make sure these are documented. When establishing policies and procedures to support customers in financial difficulty, firms should consider their responsibilities under the Consumer Duty and act to deliver good outcomes to retail customers. A firm should only agree an arrangement with a customer under MCOB 13 if it considers that is appropriate. In some circumstances, it may be appropriate to limit support, for example, to signposting the availability of debt advice or money guidance.

As a result of our changes, firms will need to consider how they will determine whether a customer may be at risk of falling into payment shortfall and include this in their written policy and procedures. As set out in our consultation, we are not requiring firms to proactively identify whether customers are at risk of falling into a payment shortfall. For mortgage firms, monitoring signs of payment difficulties before a customer misses a payment can be challenging. There is often no indication of payment difficulty until a customer falls into payment shortfall. Mortgage firms will not always have access to information to proactively monitor customers' finances. For example, a customer may only have 1 product (the mortgage) with a firm, so the firm may not have access to other information about the customer's financial circumstances. However, where firms do have access to other information, or are provided with information on the customer by a third party (eg a debt adviser) and they become aware that the customer is at risk of payment shortfall, we expect them to consider whether to offer support.

Many responses to Question 1b combined the provision of early support with proposals on the provision of information and shortfall statements (Question 19). To be clear, the changes to MCOB 13.3.1R are separate to those proposed to MCOB 13.5. Our changes to MCOB 13.3.1R require firms to consider support for customers who indicate they are at risk of falling into payment shortfall, or where the firm otherwise becomes aware the customer may be at risk of falling into payment shortfall. They do not prevent firms from responding flexibly to customers. Our separate shortfall statement proposals require firms to provide customers with earlier communications about payments they have missed. We discuss these proposals below (see paragraphs 4.7-4.11).

Interaction with the Government's Mortgage Charter

During the consultation period the Government introduced the Mortgage Charter (the Charter). The Charter contains commitments made by mortgage lenders intended to help customers worried about rising mortgage interest rates, prevalent at the time of its introduction.

We made changes to our rules (PS23/8) to enable mortgage lenders to meet 1 of the Charter's commitments. Specifically, we introduced 2 new, limited exemptions from our affordability requirements. These allow lenders to vary a mortgage contract to temporarily reduce capital payments (including to zero and paying interest-only) for up to 6 months, and to reverse a term extension within 6 months of it taking effect, without assessing affordability. These exemptions can be used by any mortgage lender once per contract (except for second charge and bridging loan contracts).

Many lenders are now offering these options, primarily on an execution-only basis, for customers who do not have a payment shortfall. Customers take the decision to proceed based on their own assessment of their circumstances.

Contract variations and MCOB 13

As set out above, our final rules now require firms to consider whether it is appropriate to offer tailored support where a customer indicates, or the firm otherwise becomes aware that, they are at risk of falling into payment shortfall.

Our final rules do not require firms to determine if a customer seeking a variation of contractual terms has, or is at risk of falling into, payment shortfall. It has been a long-standing feature of our rules that, in certain circumstances, firms may agree to vary a contract that will reduce a customer's monthly payments without assessing affordability or automatically treating it as a change made for the purposes of forbearance, for example, a term extension up to retirement. Varying a contract using the new rules we made to support the Mortgage Charter is treated in the same way.

A customer requesting a contractual change does not in and of itself indicate that the customer is at risk of falling into payment shortfall. However, where the customer applying for such a variation has a payment shortfall, or indicates that they are at risk of falling into payment shortfall (MCOB 13.3.1R(1A)(b)), the firm should consider whether further support is needed, and if so, ensure it is appropriate to the customer's circumstances.

The requirement to consider whether it is appropriate to offer tailored support where a firm otherwise becomes aware that a customer is at risk of falling into a payment shortfall (MCOB 13.3.1 R(1A)(c)) does not apply where a customer requests a contractual change. This requirement applies to information that the firm becomes aware of from sources other than the customer, such as from third-party debt advisers, or other data that the firm may hold, for example current account information or CRA data.

Monitoring

The Consumer Duty requires firms to monitor the outcomes their retail customers are experiencing (PRIN 2A.9). This includes outcomes from products the firm distributes, communications with retail customers and support the firm provides. This includes changes to the product over time (eg contract variations). A firm should take appropriate action where it identifies that customers are not receiving good outcomes, and act to prevent customers from suffering harm as a result of its acts or omissions.

Reviewing the effectiveness of policies and procedures

- 2.17** In CP23/13, we explained the importance of having policies and procedures that are fit for purpose and that can respond to findings from internal reviews and changes in the external environment. We proposed a new rule in both CONC 7 and MCOB 13 to require firms to ensure the effectiveness of any policies and procedures put in place for customers in or at risk of payment difficulty, and that the firm's ongoing compliance with them is reviewed at appropriate intervals. We asked:

Question 2: *Do you agree with our proposals to include a new Handbook rule and associated Handbook guidance, covering the reviews of the effectiveness of policies and procedures:*

- a. *in CONC 7?*
- b. *in MCOB 13?*

Reviewing the effectiveness of policies and procedures: Credit and Mortgages

- 2.18** Most respondents supported the rule changes proposed in CONC 7 and MCOB 13.
- 2.19** One trade body questioned whether this proposal was needed due to existing requirements under SYSC, PRIN, as well as expectations under the Consumer Duty. Some respondents questioned the wording in the CP that 'firms should ensure these reviews consider the customer's overall experience'. They suggested it would be more appropriate to align with the Consumer Duty expectations of delivering good outcomes for customers.
- 2.20** Two respondents suggested that while firms should be encouraged to review at appropriate intervals, a review should take place at least every 2 years. One consumer body suggested we provide supporting guidance to set expectations on the regularity of such reviews. Industry representatives asked for examples of what is expected in a review.
- 2.21** One consumer body noted the examples we included in our consultation of when a review may be appropriate, for example, changes in the economic environment or in response to internal reviews. They suggested it would be helpful to include a non-exhaustive list of appropriate circumstances for a review either in rules or supporting guidance.

Our response

We are finalising our rules as proposed.

We consider our rules and guidance complement existing expectations under SYSC, PRIN and the Consumer Duty. They provide clarity to firms about how they can comply with CONC 7.2.4R and MCOB 13.3 on clear, effective and appropriate policies and procedures. By considering the wider support provided to customers, rather than assessing individual isolated interactions, firms can understand whether they need to make changes to their policies, procedures or compliance with them, enabling them to appropriately support customers in or at risk of payment difficulty.

We explained in the CP that we want firms to take an outcomes-focused, rather than prescriptive, approach. We also consider that setting minimum periods between reviews could lead to situations where firms only conduct reviews in line with the minimum period. For that reason, we are not defining appropriate intervals, nor are we providing a list of instances when a review may be needed. This allows firms the flexibility to conduct reviews that respond to internal and external factors.

Customers in vulnerable circumstances

2.22 We proposed to update CONC and MCOB to incorporate reference to our [Guidance for firms on the fair treatment of vulnerable customers \(FG21/1\)](#). We asked:

Question 3: *Do you have any comments on our updated references to the fair treatment of vulnerable customers:*

- a.** *for CONC 7?*
- b.** *for MCOB 13?*

2.23 Most respondents agreed with our proposals.

2.24 Two trade bodies stated their preference for us to retain the distinction between 'vulnerable' and 'particularly vulnerable' to reflect that vulnerability can be transient and varies in nature and impact. One trade body said firms would be concerned about the regulatory consequences of failing to apply the same standards where a customer's vulnerability may or may not significantly affect their ability to deal with the firm.

2.25 One consumer organisation wanted to see a stronger emphasis and clarity on the 'higher standards' our proposals set, particularly on the need for firms 'to have regard to' the vulnerability guidance. They understood this would have an increased status and force with the introduction of the Consumer Duty.

Our response

Given the broad support for our proposals, we are finalising our updated references to the vulnerability guidance, as proposed.

The Consumer Duty raises the standard of care which firms are expected to provide to all customers. Our [guidance on the fair treatment of vulnerable customers](#) sets out what firms should do to ensure that customers in vulnerable circumstances experience outcomes as good as those for other customers.

We recognise that vulnerability can be transient and vary in impact on consumers. FG21/1 highlights different characteristics of vulnerability which can be complex and overlapping. The Guidance sets out that firms should understand the vulnerable characteristics likely to be present in their target market or customer base and take practical action in their product and service design, staff skills and capability, customer service and communications. We consider that FG21/1 remains the best source for further guidance on the actions firms should take to understand the needs of vulnerable customers and make sure they are treated fairly.

Forbearance options

2.26 We proposed to expand existing lists of forbearance options in CONC 5, 7 and MCOB 13 that firms may consider when determining what support may be appropriate. We asked:

Question 4: *Do you agree with our proposals to add to the existing list of forbearance options at:*

- a.** *CONC 7.3.5G & CONC 5D 3.3(4)G?*
- b.** *MCOB 13.3.4AR?*

Credit (including overdrafts)

2.27 There was broad agreement with our proposal to include more forbearance options. But several respondents wanted a greater emphasis on the non-exhaustive nature of the list of forbearance options. Some respondents asked us to make it clear that the list of examples is not a prescriptive list, that the examples provided may not be appropriate for all lenders or products and that they are not a minimum suite of tools that all firms must provide. One firm suggested there was a lack of clarity on how this proposal was in line with outcomes-based regulation and were not clear on the benefits of referring to specific forbearance examples in CONC. They said there could be a potential risk of some firms placing undue weight on the examples listed and failing to consider broader options not listed. They further expressed this may fail to align with our expectations for forbearance to be based on, and meet the needs of, individual customer circumstances. Instead, they suggested that the onus should be on firms to support customers on selecting the right forbearance option for them.

- 2.28** Two consumer organisations asked us to make our proposal a rule rather than guidance to reinforce the importance of considering all viable options, proactively offer those that are suitable and evidence why none of them are suitable if this is the case. Another consumer organisation suggested it would be helpful to grant prominence to a wider spectrum of measures, and that firms should consider debt write off, as well as longer-term no/low payment arrangements in some situations – for example, in situations of medium-long term deficit budget.
- 2.29** One consumer organisation had some concern with revisions to CONC 7.3.5G(3) in removing the text 'in order to allow a customer to recover from an unexpected shock', which they consider provides an indicative timeframe for firms accepting no payments, reduced payments or token payments. Another respondent wanted clarification on the guidance in 7.3.5G(4) on what is 'a reasonable period of time to repay the debt'.

Our response

We remain of the view that it is beneficial to introduce further examples into the guidance for firms to consider which may be appropriate for their customers. There was broad support for our proposal, and we are finalising the guidance to add to the list of forbearance options in CONC 7 and CONC 5. The list of options is not intended to be exhaustive and there may be additional or alternative actions firms could consider depending on the circumstances. The guidance explicitly states that the list of options is not exhaustive. We added further examples of options into the guidance as these were contained in the TSG and may be currently used by firms or may be useful for firms to consider. We believe the guidance provides an appropriate balance between setting expectations of actions firms may consider and enabling flexibility for firms to consider alternative or additional actions that may be more appropriate.

In response to removing the text in CONC 7.3.5G(3), we recognise that accepting no payments, reduced payments or token payments may be appropriate for a range of reasons, including allowing a customer to recover from an unexpected income shock. We have removed the wording so that the guidance is not limited and can accommodate a wider range of reasons as to when such a solution may be appropriate. We also recognise that it is important firms take reasonable steps to ensure that any forbearance or due consideration remains appropriate. We have provided further guidance on reviews at appropriate intervals and responding as necessary. We believe this will help firms and customers to consider whether these solutions remain appropriate for the customer's circumstances or whether they are deferring or exacerbating challenges to the future and whether alternative solutions are required. We also recognise some firms may wish to consider alternatives such as debt write-offs.

In practice, what is a 'reasonable period of time to repay the debt' with regards to agreeing a repayment arrangement in CONC 7.3.5G(4) will vary depending on the individual circumstances of the customer. So firms should engage constructively with customers about their needs and ensure these are reflected in any arrangement. This provides firms with a degree of flexibility, and we consider this approach encourages firms to effectively engage with their customers and be outcomes focused.

Mortgages

- 2.30** Consumer groups welcomed our proposal to add to the list of forbearance options in MCOB 13.3.4AR. Most industry respondents did not support the inclusion of additional options.
- 2.31** Industry respondents were concerned that the addition of waiving capital and/or interest as an option appeared to compel a firm to write off the debt, rather than seeking to recover it, as they are entitled to do. They believed that customers may mistakenly use the addition of these options to claim a 'right' to certain types of support. In their view, this could lead to an increase in cases to the Financial Ombudsman Service and litigation which are unlikely to be upheld, creating unnecessary cost for firms and customers. One trade body thought that this may also incentivise non-payment by customers.
- 2.32** One firm was concerned that the proposal could lead to an increase in losses, which in turn could affect both regulatory capital and provisioning required under International Financial Reporting Standards (IFRS). Two trade bodies believed that the potential loss for firms from increased waiving of interest or capital could increase costs for other customers, and this was not reflected in the CBA. They believed that such cross-subsidisation of costs would be unfair.
- 2.33** Two trade bodies wanted us to confirm that not all types of support will be viable, due to the firms' inability to offer them, or an imbalance between customer and firm interests. To mitigate this, they suggested we clarified in the Handbook that the options are not prescriptive, and lenders are not bound to offer these.
- 2.34** Three consumer groups wanted us to emphasise that the list in MCOB 13.3.4AR is not exhaustive and would like firms to consider other options not included in this list.

Our response

We are finalising our rules to add to the list of forbearance options in MCOB 13.3.4AR as consulted on.

The objective of the rule is to ensure that firms consider a range of potentially appropriate support for customers who have or may have payment difficulties. Firms should tailor support provided to each customer, taking account of their individual circumstances. A number of factors will determine whether certain options are appropriate, including

whether a customer has missed payments, whether the account is in serious arrears, and a customer's likely ability to get back on track. Customers in serious arrears may present more complex circumstances and may be more vulnerable.

The amended rule does not create an entitlement for customers to have interest or capital on their mortgage waived. Instead, they add to the existing list of options that must form part of a firm's consideration of what support is appropriate for a customer's particular case. It is, for example, clearly less likely to be appropriate or reasonable to use these options in cases where a customer has not yet missed a payment and only needs temporary support. It may be appropriate and reasonable to apply such support if, in conjunction with other support measures, it would be a reasonable and realistic means of helping a customer with significant arrears put their mortgage in a sustainable position over its remaining term. Alternatively, where a mortgage has become unsustainable, waiving interest and/or capital may be an appropriate means of mitigating the risk that the mortgage balance escalates unreasonably while a firm supports a customer to exit home ownership.

Firms must take account of all of the options when considering how best to support their customers, but can dismiss options that are unreasonable or where they will not in themselves help resolve the position, as well as where other options are appropriate to manage or resolve the position (MCOB 13.3.4CG makes clear that the list is not exhaustive). The rule does not impose on a firm's right to repossess the property providing all reasonable attempts to resolve the position have failed.

As the updated rule does not introduce mandatory waiving of capital or interest, we are not persuaded that it automatically impacts the way firms comply with prudential capital requirements or IFRS provisioning requirements. Having engaged with the PRA, they do not anticipate a material impact on underlying capital requirements (provided that the firm already considers whether it is appropriate).

Transparency and accessibility of forbearance options

2.35 We proposed requirements for firms to be more transparent about the range of forbearance options they will consider and to engage with customers through a range of channels, taking into account of the needs of vulnerable customers. We asked:

Question 5: *Do you agree with our proposals on the transparency and accessibility of forbearance options:*

- c.** *to CONC at CONC 7.3.13A, CONC 5D 3.9G and CONC 5D 3.3G(7)?*
- d.** *to MCOB 13.3.4C?*

Credit

- 2.36** Respondents broadly agreed on the principle of offering to engage through a range of channels, but some respondents raised practical concerns. One trade body suggested smaller firms may not have a range of channels like larger firms and shouldn't be expected to introduce new channels which will introduce cost. Some firms highlighted firms have different models with some focused on a digital offering. They asked for a balance between applying rules which allows firms to make a judgement of what channels work for them as a firm, while also providing a range of options for customers.
- 2.37** One consumer body suggested firms need to be explicitly open in publicising the range of communication channels they offer, setting them out clearly, including in a prominent location on the website.
- 2.38** One consumer body said they would welcome more emphasis in our proposal on supporting customers to engage through appropriate channels, rather than offering to engage through a range of channels.
- 2.39** Two consumer bodies suggested our proposals should align with mortgages and overdrafts proposals to publicise the list of forbearance options on websites. One firm asked for clarification on whether we expect forbearance information on different options to be available on a range of channels rather than expect forbearance to be provided via different channels.

Our response

We recognise firms need to consider our proposals in the context of their business models and how they currently engage with their customers. In practice, existing communication channels may be adequate. In some situations, they may not. There may be customers who are contacted by email but would prefer to speak to the firm by phone. For vulnerable customers, firms should have regard to our Guidance on the fair treatment of vulnerable customers (FG21/1) which provides further guidance for firms to consider how they communicate with vulnerable customers, taking into consideration their needs. For example, vulnerable customers may find some communication channels challenging or stressful or need more time to understand information and make decisions. Firms should seek to provide communications options that accommodate these needs.

We recognise the feedback around placing more emphasis on supporting customers to engage through 'appropriate' accessible channels and have amended our provision to reflect this. This will help ensure that any expectations on firms are not disproportionate and support effective engagement with customers.

We do not intend to require firms to publicise the list of available forbearance options on their websites under CONC 7. We think the provisions around clear communication and tailored support to individual, often complex, customer needs, are appropriate and proportionate for

the consumer credit market in general. This market has a diverse range of products and customers. Firms are best placed to consider what is the best way to communicate with their customers and provide clear information to individuals about the forbearance options available to them. We consider this is likely to be of greater value to customers in this market than generic information provided on websites.

Overdrafts

- 2.40** Responses on the transparency of options available to overdraft repeat users who are in, or at risk of, financial difficulty was in line with the responses reported above on wider consumer credit consumer products.
- 2.41** A trade body did, however, report that its members did not support our proposal that where there is an option to refinance an outstanding overdraft debt onto an amortising loan, firms should provide an indication of eligibility criteria, interest rate and term. This proposal was based on existing content of our [Overdrafts Finalised Guidance](#).
- 2.42** Question 5a in our CP erroneously referred to CONC 5D.3.9G as well as CONC 5D.3.3G(7). We confirm that CONC 5D.3.9G is not relevant to this question.

Our response

In paragraph 2.39, we state that the diverse range of products in the wider consumer credit market is a key reason for us not requiring lenders to display details of available forbearance options on their websites. The overdraft product is however a unique product and the options for providing borrowers with forbearance are limited. Our view remains that to help borrowers, and their advisers, to understand what support may be available, firms should set out on their websites the range of options that can be considered when an overdraft borrower is facing financial difficulty. We acknowledge however that providing details of eligibility criteria and interest rates for refinance loans may lead to unnecessary complexity of content on websites, which could confuse customers.

As a result, we are not progressing with our proposed guidance at CONC 5D.3.3G(7). We do however encourage firms to give as much information as is appropriate on their websites about options for refinancing loans which may support customers obtaining good outcomes.

Mortgages

- 2.43** Respondents agreed with our proposed guidance that firms should use a sufficient range of options to help customers and offer to engage through a range of channels. One consumer group wanted more emphasis on actively supporting customers to engage through appropriate channels, rather than simply offering to do this.

- 2.44** Consumer groups also welcomed our proposed guidance for forbearance options to be displayed on firms' websites. To increase engagement, they suggested the options be listed in plain English, and in a consumer-friendly way.
- 2.45** Most respondents agreed with the principle of greater transparency of forbearance options in MCOB 13.3.4CG(2)(c). However, industry respondents supported an adjusted approach setting out possible support at a 'higher-level', with 'potential' options.
- 2.46** Many industry respondents had concerns that, given not all options will be appropriate or available for all customers, this could be counterproductive. Two industry trade bodies suggested that customers may approach firms with preconceived ideas of what support is appropriate, leading to difficult and lengthy conversations, increasing rates of disengagement. Others suggested customers could adjust what they tell their lender to influence what support they receive or be incentivised to miss payments.

Our response

We are introducing the new guidance in MCOB 13.3.4CG(2) broadly as consulted upon. We are amending our final requirements, so that a firm should be transparent about the range of options it 'may' consider, rather than it 'will' consider.

Research shows that many borrowers in financial difficulty are reluctant to engage early with lenders due to a lack of understanding of what their forbearance options are. Firms should therefore be transparent about the range of options they may consider and display this information in a prominent location on their website.

Our final rule addresses concerns that not all the options will be appropriate or available for all customers. Firms may make it clear that these are potential options and that the specific support available will depend on the customer's individual circumstances.

Under the Consumer Duty's consumer understanding outcome, firms should be clear about the types of support they may offer and consider how they communicate with customers. Firms must ensure that any communications are likely to be understood by the intended recipients and enable them to evaluate their options.

Displaying information about forbearance options on websites is unlikely to incentivise customers to miss payments. Research shows that customers generally prioritise making mortgage payments, as the consequence of falling behind could ultimately lead to them losing their home. Customers also generally understand that missing a mortgage payment is unlikely to benefit them as doing so will impact their credit file and access to other financial products.

Money guidance and debt advice

2.47 We proposed changes to help customers better understand how debt advice and money guidance may benefit them, and to use relevant tools and access support. We asked:

Question 6: *Do you agree with our proposals relating to effective customer engagement and communication around money guidance and debt advice:*

- a.** *in CONC 7.3.7A?*
- b.** *in MCOB 13.3.2AR?*

Money guidance and debt advice: Credit, including overdrafts

- 2.48** Most respondents agreed with our proposed changes on customer engagement and communication around money guidance and debt advice. One respondent raised concerns smaller firms will not be able to train their staff to keep up to date on debt advice and that the channels used to engage with customers should reflect the channels already used/available to the firm.
- 2.49** One respondent wanted us to consider how our proposals around signposting were aligned to PS23/9: Finalised insurance guidance on supporting customers in financial difficulty.
- 2.50** One respondent suggested we make clear that communicating the potential benefits of accessing money guidance or free and impartial debt advice should not be seen as 'debt counselling' or 'debt adjusting'. They also wanted further clarity on when it may be appropriate to direct customers to free not-for-profit advice or commercial advice.
- 2.51** One trade body thought the reference to the MaPS strategic toolkit for creditors should be removed on the basis it is for all creditor types and lending products and could be subject to frequent change or potentially stagnation over time if it is not reviewed regularly. However, one consumer body welcomed the reference to it and the building of referral partnerships.

Our response

We want customers to be given timely information about the availability of debt advice, and to be more aware of the possible benefits of it. This is because we think that customers who access appropriate debt advice at an earlier stage of financial difficulty are likely to get better outcomes. We received strong support for our proposals on providing information about debt advice and money guidance and are finalising these in the guidance.

Our view is that it is important firms' communications with customers, where appropriate, make them aware of the support available, the potential benefits of accessing debt advice and money guidance and how to access it. For example, this may be appropriate in circumstances such

as where a customer indicates they are likely to be in financial difficulty, where they have failed to meet payments or in other engagement with customers. We acknowledge that not all customers will be willing to engage, and it will be for firms to assess what is appropriate based on individual circumstances. In practice, firms' communications on debt advice and money guidance may be standardised rather than individual tailored messages, for example standardised letters, digital communications and call scripts. These proposals are in line with insurance guidance PS23/9.

In the CP's cost benefit analysis we considered the implications, including for different sized businesses, and consider the costs of our proposals are proportionate to the benefits from customers receiving support. The proposals may ultimately lead to fewer firm interactions through customers being better able to manage their debts.

To be clear, in referring to communicating the potential benefits of debt advice or money guidance, we do not expect firms to provide debt counselling and there are clear examples in PERG of what is and is not debt counselling. We are expecting firms to provide a high-level summary of the potential benefits of debt advice where it is appropriate for the customer given their circumstances.

Reference to the MaPS strategic toolkit for creditors is guidance which firms may wish to consider. We recognise in practice firms may use other resources they deem appropriate to deliver good customer outcomes.

On the question of directing customers to debt advice, CONC 7.3.7A(G) (3) contains a provision which does allow for referrals to be made to other firms, **in addition to** not-for-profit providers, where this is consistent with the firm's obligations under the regulatory system. We intend to conduct a wider review of our debt advice rules under CONC 8 in due course to ensure they set the right framework for good quality debt advice.

Money guidance and debt advice: Mortgages

- 2.52** Most respondents welcomed our proposals on effective customer engagement and communication around money guidance and debt advice in MCOB 13.3.2AR.
- 2.53** Some industry respondents were concerned about the regulatory perimeter. One trade body thought the proposals might draw firms into giving advice, which firms may not be equipped or authorised to do. This concern was shared by 2 other trade bodies who believed that gathering more information on the customer's circumstances would draw firms into the regulated activity of debt advice. They wanted our confirmation that the proposal would not amount to debt adjusting or debt counselling and asked for further clarity as to how firms can remain in the perimeter.
- 2.54** Some respondents raised concerns about increased demands on the debt advice sector. One firm believed these rules, alongside our proposed changes to the scope of MCOB 13 and disclosure requirements, would lead to an increase in demand for debt advice and

a risk that demand will outstrip the capacity to give advice. One trade body thought there should be an element of caution in making referrals, and that customers should not be directed to debt advice bodies if the creditor is able to provide an appropriate solution. To alleviate demand on not-for-profit debt advice bodies, some firms requested that we change the Handbook text from 'not-for-profit' to 'free-to-client'.

- 2.55** Two trade bodies asked us to clarify to how firms should quantify and demonstrate customer understanding of the benefits of money guidance and debt advice. One suggested removing the term 'effectively' from the rule requiring firms to, where appropriate, effectively communicate the benefits of accessing money guidance and debt advice (MCOB 13.3.2AR (-1)(b)) and instead to align with the Consumer Duty and refer to customer understanding overall.

Our response

As part of our BiFD research, we found that firms did not consistently help customers to understand what type of debt advice or money guidance was available and what the benefits of this might be or help customers to access these services where appropriate. Effectively communicating the benefits of money guidance and debt advice can lead to better outcomes for consumers and can prevent customers becoming disengaged.

Given the importance of helping customers access the right support as early as possible, we are finalising our rule that firms must effectively communicate the potential benefits of accessing free and impartial money guidance and debt advice, and the range of channels through which it is available. Effectively communicating with customers, as outlined in the Consumer Duty consumer understanding outcome, is about equipping customers with information they need at the right time and presented in a way they can understand to enable them to make informed decisions.

Firms do not need permission to carry out the regulated activity of debt counselling to comply with these rules. The action required in MCOB 13.3.2AR(-1) does not steer the customer to a particular course of action, and so does not meet the definition of carrying out debt counselling. Further guidance on the regulated activity of debt counselling is set out in [PERG 17](#).

Under the new rules, firms will be able to refer customers to regulated commercial debt advice bodies as long as the service provided is impartial and free of charge to the customer. Our rules allow firms to signpost or refer customers to sources of debt advice which are not-for-profit and also to for-profit operators.

Providing information to customers

2.56 In the CP we set out proposals on providing relevant information to customers before providing forbearance to enable them to make informed choices about what action to take. We asked:

Question 7: *Do you agree with our proposals to include further Handbook provisions on our expectations relating to customer engagement and communication:*

- a.** *in CONC 7.3.13A and CONC 5D?*
- b.** *in MCOB 13.3.4AR(2)?*

Credit, including overdrafts

- 2.57** In the CP we proposed that firms should make available to customers timely, clear and understandable information which takes into account the individual characteristics of the customer and is sufficient to enable them to understand their financial position in relation to their debt, including the potential impact of any forbearance or due consideration on their overall balance and any implications for the customer's credit file.
- 2.58** Some respondents, including firms and trade bodies, noted that they could only advise customers on the factual information they would report to credit files, not the broader implications for credit files as firms cannot provide any assessment of the subsequent interpretation of that factual reporting, by either the CRAs or other lenders.
- 2.59** One consumer body noted the transposed proposal differs from the TSG in that it does not include a reference to communicating a customer's options, which they consider a crucial step to customers receiving support.
- 2.60** One consumer organisation suggested we include an indicative period for consumers to understand the information they have received on their financial position.

Our response

We recognise respondents' concerns about providing information to customers on the broader implications for their credit file. Lenders may use the information recorded on credit files in different ways and we recognise that lenders providing support cannot advise how credit files will subsequently be interpreted by others. So, we have amended relevant text in CONC 7.3.13AG (2) and CONC 5D.3.11G(2) from 'implications for the customer's credit file' to 'how it is/will be reported to the customer's credit file'.

We have also considered the feedback on our transposition of the TSG to include the reference to firms communicating a customer's options and have included this wording in CONC 7.3.13AG (2) and CONC 5D.3.11G(2).

We agree that it is helpful for customers to be made aware that discussing their options with firms does not in itself have any implications for their credit file. We recognise that some customers may be reluctant to engage with lenders due to worries about negative impacts on credit files. Our own communications for consumers struggling to make payments make clear that simply talking to their lender will not affect their credit file but their lender can support them. Where arrangements are agreed this will be reflected on credit files, but there would otherwise be a negative impact on credit files if payments are missed. We welcome firms considering this issue in their communications with a view to encouraging their customers to engage with them.

We do not intend to issue further guidance on indicative time periods for customers to get to grips with the information given to them on the total amount of debt outstanding. This is because it will vary depending on individual circumstances and in some cases it may be necessary to swiftly implement support.

Overdrafts

- 2.61** Respondents supported the proposal to give customers clear information to help them understand their financial position and the potential impact of any forbearance.
- 2.62** It was suggested however that the wording of CONC 5D.3.11G 2(a) should be amended to 'take into account their individual circumstances' rather than 'take into account their individual characteristics'.
- 2.63** We received comments on our proposed rule on the suspension, removal or reduction of an overdraft limit (CONC 5D.3.2R (5)-(7)).
- 2.64** A trade body and a firm were concerned that our proposed rule was requiring lenders to allow customers' maximum overdraft debt to increase through additional spending. Additional guidance was requested on the circumstances in which overdraft limits can be removed or reduced. One firm commented that the removal/reduction of a limit can in some cases prevent foreseeable harm.
- 2.65** One firm sought confirmation that firms should inform a non-responsive customer of the possibility of their overdraft being removed as required under CONC 5D 3.2R (5) (b) even where this course of action would not be pursued as it would cause the customer financial hardship. CONC 5D 3.2R (7) was seen to conflict with CONC 5D.3.2R (5) (b).
- 2.66** The trade body highlighted that under section 98A of the Consumer Credit Act lenders can terminate a regulated open-end consumer credit agreement, subject to a period of notice.
- 2.67** Debt advice bodies queried if the requirements regarding the non-suspension, removal or reduction of overdraft limits should be extended beyond situations where the customer has a pattern of repeat overdraft use which indicates actual or potential financial difficulty. It was reported that there were instances where firms have removed

overdraft facilities when a customer enters 'Breathing Space' (the Government's Debt Respite Scheme)

Our response

Amend wording of CONC 5D.3.11G 2(a)

We have amended the wording of this provision as requested to refer to the individual circumstances of the customer, rather than individual characteristics.

CONC 5D.3.2R (5)- (7)

An overdraft is a unique credit product as it is provided as a feature of a current account. The intent of our guidance on the suspension, removal or reduction of an overdraft limit continues to be to ensure that the receipt of income, possibly from wages, salary or benefits to a current account is not used by the lender as an opportunity to repay debt. Where the removal or reduction of the overdraft limit takes place immediately after receipt of income to a PCA it may have the consequence of restricting access to income needed to meet priority debts and essential living expenses.

We continue to accept that assessing whether a customer is at risk of financial hardship can be challenging in some cases. This assessment is likely to require an analysis of the individual customer's circumstances. Our objective and that of firms should be that each customer receives a good outcome. Each customer should be appropriately supported with foreseeable harm being avoided.

We confirm that our guidance should not be interpreted as requiring firms to increase overdraft debts to allow customers to meet priority debts and essential living expenses.

Notifying non-responsive customers of the possibility of their overdraft being removed

Providing appropriate support for individual customers should be a firm's priority. Where the information held indicates that the removal of the overdraft will cause the customer financial hardship a lender should not remove the overdraft facility. Efforts to engage with non-responsive customers should continue with the objective to understand the customer's circumstances more fully and to give the customer appropriate support which may include forbearance. In circumstances where financial hardship is indicated, simply notifying the customer that their overdraft may be removed is unlikely to be an appropriate action and may lead to undue anxiety.

Consumer Credit Act s98A

The Consumer Credit Act s98A does allow a lender to terminate a regulated open-end consumer credit agreement. However, we remind firms of the need to comply with the expectations of CONC 5D and the

Consumer Duty. In particular, the cross-cutting rule at PRIN 2A.2.8 which requires firms to avoid causing foreseeable harm to retail customers.

Suspension, removal or reduction of overdrafts in situations other than those where repeat use rules apply

Our rules in CONC 5D apply only where a pattern of repeat use of an overdraft is evident. In situations where repeat use of an overdraft is not evident other FCA rules may be applicable.

The Consumer Duty has come into effect and again we remind firms of the need to avoid foreseeable harm to customers. The suspension, removal or reduction of an overdraft which directly causes the customer financial hardship, leaving them unable to meet priority debts and cover essential living expenses, may be considered to be an action which creates foreseeable harm to the customer. The assessment of an appropriate course of action is likely to require an analysis of the individual customer's circumstances. Our objective and that of firms should be that each customer receives a good outcome.

Mortgages

- 2.68** We proposed to extend MCOB 13.3.4.AR (2) so that when firms explain the implications of any proposed arrangement it must include the impact on the customer's overall balance and the implications on their credit file.
- 2.69** We requested feedback on whether to include reference to providing this information in a 'timely' way, and proposed to remove the option of using the Annual Statement as a means to comply with our information requirements.
- 2.70** Most consumer groups welcomed the proposals, while representatives from the industry asked for further clarity.
- 2.71** Responses reflected the feedback already set out at paragraph 2.58, with several industry respondents saying it would be difficult to communicate the impact on a customer's credit file.
- 2.72** Respondents from firms generally agreed that we should not incorporate an additional requirement for information to be 'timely'. Two trade bodies agreed and stated that it could lead to further detriment if giving customers reasonable time to consider the implications of an arrangement delayed the provision of support (eg additional charges or interest). Another explained that lenders already allow sufficient time if it is needed, depending on customer circumstances.
- 2.73** On the other hand, consumer groups were in favour of customers being given time to consider whether to accept any arrangement given the long-term financial implications of doing so. One consumer group stated that anything less than 7 days could be unreasonable.

- 2.74** One trade body disagreed with our proposal to remove the ability for firms to comply by providing this information in the annual statement, arguing that it does not cause harm and may help to remind customer of their mortgage terms. They said that such a change may require firms to make burdensome system changes.

Our response

We recognise respondents' concerns about giving information to consumers on the broader implications for their credit file. Lenders may use the information recorded on credit files in different ways and we recognise that lenders providing support cannot advise how credit files will subsequently be interpreted by others. So, we have amended our final rules from 'implications for the customer's credit file' to 'how it will be reported to the customer's credit file'.

We will not be requiring firms to give customers a specific period to consider the implications of an agreement before it is agreed. Customers will often look to put in place an arrangement quickly, before they miss a payment, or their situation worsens. This does not mean that firms should not allow time for customers to consider the implications where appropriate, including where customers ask for it. Our existing rules (MCOB 13.3.3AR) require that a firm gives customers a reasonable period of time to consider any proposed arrangements. Firms should also consider their obligations under the Consumer Duty, which requires firms to communicate and engage with customers so that they can make effective, timely and properly informed decisions about financial products and services. Firms should be particularly mindful of the needs of those customers who have characteristics of vulnerability, who may require additional time to consider the effect of an arrangement or seek third party support before agreeing to an arrangement.

We are amending the provision to remove the reference to the annual statement. Firms can still choose to reiterate the implications of any arrangements in the annual statement provided to the customer, and this may continue to support customers' understanding. However, only communicating the implications of any arrangement in the annual statement will not meet our expectations in MCOB 13.3.4AR(2). The rules require firms to communicate the implications of an arrangement **before** it is agreed, whereas annual statements may be issued as long as 12 months after any arrangement is agreed.

Consequential amendments

- 2.75** Other chapters in MCOB and CONC refer to provisions that we proposed to amend in the CP. We proposed various minor consequential amendments to ensure these references remain up to date.

Credit

- 2.76** For consumer credit, these consequential changes include amendments to CONC 5 reflecting the references to our Vulnerable Customer Guidance and changes to CONC 6.7 which expand the scope of certain post-contract requirements to customers approaching arrears and links the reference to 'priority debts' in CONC 6.7.3BG(2) to the Glossary definition in the Handbook.

Our response

Given the broad support for our proposals we are implementing these changes in our Handbook.

Mortgages

- 2.77** For mortgages, the consequential changes include amendments to other MCOB chapters which refer to customers in payment shortfall or arrears to reflect the changes that MCOB 13 will refer to the treatment of customers in payment difficulties more broadly.

Our response

Given the broad support for our proposals we are implementing these changes in our Handbook.

Chapter 3

Credit specific proposals

Application to consumer hire & SME Lending

- 3.1** We received feedback questioning how our proposals for credit firms would apply to lending to SME customers.
- 3.2** CONC 7 applies to consumer credit lending, which is defined by reference to lending to both individuals and 'relevant recipients of credit', as defined in the Regulated Activities Order. This includes some SMEs [partnerships of 2 to 3 persons not all of whom are bodies corporate, and unincorporated bodies of persons that are not a partnership and do not consist wholly of bodies corporate]. So, our proposed changes apply to any lending to SMEs which fall within this category. SME customers are a vital part of the UK economy who should also benefit from our enhanced provisions where lending is subject to our regulation.
- 3.3** However, through feedback and further stakeholder engagement, we recognise the need to highlight that firms may need to consider different factors when providing forbearance to SME customers. For example, CONC 7 applies to firms when they carry out regulated debt collection under the Bounce Back Loan Scheme (BBLS). Collecting debts under BBLS may be a regulated activity where the borrower is a sole trader or small partnership. Our January 2021 guidance [Bounce Back Loan Scheme: guidance for firms using Pay as You Grow \(PAYG\) options](#), remains in force and aims to help firms understand how they can use and offer PAYG options, complying with Chapter 7 of CONC where it applies.
- 3.4** We also recognise there may be differences in the way that our proposals may be applied for SME lending. This includes where lenders undertake income and expenditure assessments, as they may consider different or additional factors such as the SME customer's business cash flow. We have reflected this in our Handbook.
- 3.5** Many firms in the consumer hire sector specialise in SME lending. We have revisited costs in the CBA, adding data on firms in the consumer hire sector. This reflects the upper bounds of activities potentially affected and provides a more conservative estimate of costs of £31.8m (previously £16.1m). Our revised breakeven analysis helps contextualise quantified costs, whereby each customer in arrears would on average need to receive additional benefits between £8 and £9, depending on the number of affected customers, assuming a 10-year appraisal period. This is a modest increase from the previous analysis which indicated between £6 and £8. We remain of the view these costs are proportionate given the expected benefits we identified and, where possible quantified, in the CBA. Details of the revision to the CBA are provided in Annex 2. Our proposals seek to reduce and prevent harm to consumers who are in or at risk of payment difficulties by ensuring they are provided with appropriate support.

Escalating balances

3.6 In the CP we explained our intention to make permanent the guidance in the TSG on escalating balances. Specifically, that where a firm has put in place a sustainable repayment arrangement as a forbearance measure, and as long as the customer is meeting the terms of that arrangement, the firm must suspend, reduce, waive or cancel any further interest or charges to the extent necessary to ensure that the level of debt under the arrangement does not rise for the period of that agreement.

3.7 We also proposed guidance which clarifies that where a sustainable repayment arrangement is put in place, the extent to which the firm should suspend, reduce, waive or cancel any further interest or charges may vary over the term of the arrangement. If a customer's circumstances change so that they can pay larger amounts under the repayment arrangement, the firm will not be required to waive as much interest, fees, or charges to prevent the balance from escalating. We asked:

Question 9: *Do you agree with our proposals to introduce requirements on escalating balances where a firm has put in place a sustainable repayment arrangement as a forbearance measure and the customer is meeting the terms of that arrangement?*

3.8 We received broad support for our proposals from trade bodies, firms and consumer organisations with feedback reflecting the measures are proportionate to reduce the burden of unsustainable debt.

3.9 One respondent, although in broad agreement with our proposals, questioned whether they would prevent firms from subsequently recovering all the amounts to which they would have been contractually entitled absent a repayment arrangement being put in place where certain interest and charges are required to be waived. They also noted that provisions involving interference with contractual rights were set out in the Consumer Credit Act. For example, on the disentitlement to interest and charges in certain circumstances.

3.10 Most respondents regarded our guidance as reasonable and practical. They acknowledged the possibility of changes in customers' financial circumstances and ensuring that if customers can make larger payments, the interest levels waived can be adjusted accordingly. However, some respondents raised concerns around this. One consumer body cautioned that improved circumstances do not always mean a customer can pay more towards their debt. And another consumer body suggested that we remove this guidance or provide greater clarity to ensure it isn't interpreted in a way that leads to the arbitrary application of interest charges and poor outcomes. A further consumer body suggested if we retain this guidance then firms should be required to give notice on these changes so that a customer has time to rearrange their finances accordingly, if this is possible, or inform the lender of other considerations on their budgets that they may be unaware of. One firm asked for further guidance on the definition of a 'larger amount' and how firms should determine an approach to waiving less interest and charges.

Our response

It is important that customers are protected from escalating balances once they have entered into a repayment arrangement with a firm based on what they can afford to pay. We consider this gives customers a greater chance to recover and work towards repaying their debts rather than be subject to financial harm arising from accumulating high levels of unsustainable debt. We indicated in the CP and CBA that our proposals on escalating balances would involve firms waiving or writing off interest in certain circumstances.

Given the strong support for our rule on escalating balances, we are finalising our proposal with one amendment. We have considered the rule in the light of feedback and are removing 'suspend' so that there is additional clarity for firms and customers. 'Suspend' implies that interest and charges may be held off for a finite period and reimposed later. In the context of a sustainable repayment arrangement, we do not think this encourages and facilitates the customer to get back on a more stable financial footing; suspending and then subsequently unsuspending interest and charges could cause confusion for firms and customers, compound financial difficulty and potentially reduce the amounts recovered by firms as customers may need to enter into further arrangements. Rather, where customers' circumstances change so they can pay larger amounts under the repayment arrangement, the firm will not be required to waive as much interest, fees or charges to prevent the balance from escalating.

Our rule relates to firms' application of interest and charges to accounts and would take effect from the date that the rules come into force. We recognise firms' contractual rights but consider our rule is justified and proportionate. It applies in the limited circumstances where customers have a repayment arrangement in place; and absent a requirement, we see inconsistent outcomes, with customers struggling with higher debts for longer periods. This is neither in the interests of firms or customers. Under our rule, firms are not entitled to apply interest and charges while the customer is meeting the terms of the repayment arrangement but only if reducing, waiving, cancelling interest or charges is necessary to ensure that the level of debt does not rise for the period of that arrangement.

In response to concerns around customers' circumstances changing so that they can pay larger amounts under the repayment arrangement, to be clear we do not expect firms to increase payments unilaterally but only following appropriate engagement with the customer. We recognise effective customer engagement is key to achieving good customer outcomes. Our proposed rules and guidance around steps to ensure that forbearance remains appropriate are detailed below under the section Reviewing forbearance measures, which highlights the importance of effective engagement with customers.

Charges

3.11 In the CP we proposed to introduce supporting guidance to help firms determine their necessary and reasonable costs in setting fees and charges applied to customers in payment difficulties, which support our price and value outcome under Principle 12 (Consumer Duty). We asked:

Question 10: *Do you agree with our proposals on introducing guidance to help firms determine necessary and reasonable charges?*

3.12 There was broad agreement in principle with our proposed guidance, seen as a step towards fostering greater transparency and fair practices. However, 1 respondent said the proposals have no real specific substance and are so general that it is hard to see how they would make any difference to the status quo. They wanted further details of how the proposals would work in practice. Another respondent called for us to carry out further research into variances in pricing and nature of the charges before introducing guidance. And another wanted us to reconsider the impact on those for whom the costs of these charges are disproportionately higher than their individual cost of administration. Another respondent wanted us to end all fees and charges associated with late payment which they regard as being inconsistent with the Consumer Duty. One firm requested further clarity that costs to firms in this context should include both operating and capital costs.

Our response

In the CP, we outlined that our proposals on necessary and reasonable costs were targeted additional changes separate to the TSG to support consumers in financial difficulty and we were keen for feedback on these proposals.

We further stated in the CP that these proposals support our price and value outcome under Principle 12 (Consumer Duty). We recognise the feedback that the proposals under CONC 7.7.6G (2) and (3) may inadvertently cause confusion, particularly as the interpretation of 'administration costs' may be applied differently across firms. So, we do not propose to introduce the guidance proposed under CONC 7.7.6G (2) and (3). Instead, we would highlight expectations under the Consumer Duty whereby firms should assess whether their fees or charges appear unjustifiably or unreasonably high. For example, in practice, firms' costs may have decreased due to the increasing use of electronic communications and we would expect firms to take this into account when levying fees and charges.

We are introducing the guidance previously proposed under CONC 7.7.6G(1) with amendments to clarify that when considering what costs may be reasonable, firms may have regard to the frequency and nature of events to which the costs relate and whether they arise directly from the customer being in default or arrears difficulties.

Sustainable repayment arrangements

3.13 In the CP we proposed introducing a new requirement that firms must take all reasonable steps to ensure that any repayment arrangements agreed with customers are sustainable. We also proposed supporting guidance that repayment arrangements are unlikely to be sustainable in the context of a forbearance scenario if they result in customers being unable to meet their priority debts and essential living expenses. We asked:

Question 11: *Do you agree with our proposals on sustainable repayment arrangements?*

- 3.14** Most respondents broadly agreed with our proposals, with some firms and trade associations saying this is already standard practice.
- 3.15** One respondent wanted further clarity on what constitutes a sustainable repayment arrangement. And another wanted clarification on whether sustainable repayment arrangements are distinct from customers making token payments against their debt.
- 3.16** One consumer body regarded the reference to 'priority debts and essential living expenses including payments for mortgage, rent, council tax, food and utility bills' as narrow. They referenced the Standard Financial Statement (SFS) as capturing realistic reasonable living costs, and suggested alternative phrasing of our guidance to 'Priority debts and living expenses include, but are not limited to, payments for mortgage, rent, council tax, food and utility bills.' Another consumer body also advocated using the SFS for essential costs of a customer. However, 1 firm noted that using the SFS was time consuming and burdensome and instead firms should be allowed the flexibility to demonstrate a customer's affordability and assess the right forbearance solution based on conversations with customers. Another consumer body wanted further clarification on what is meant by a 'priority debt'.
- 3.17** One consumer body raised caution that a repayment arrangement may need to be put in place over a long period to be sustainable. They said they would not support firms putting in place an arbitrary time period cut-off for repayment arrangements, for example where arrears must be cleared within x number of years, as this would not be fair to customers in the light of current cost-of-living challenges. They stated any lengthy repayment term can be reviewed regularly and payments potentially increased once the cost-of-living pressures have eased in the future.
- 3.18** One respondent raised concerns over the appropriateness of some debt solutions put in place on behalf of customers by third parties. This includes proposals for debt management plans (DMPs) and Individual Voluntary Arrangements (IVAs). They suggested that debt advice clients can be committed to unaffordable debt solutions and wanted our proposals to clarify the creditor's responsibility for repayment proposals made as part of a DMP or IVA.

Our response

We are finalising our rule on sustainable repayment arrangements, following the positive feedback received.

We are also finalising the supporting guidance proposed in CONC 7 and CONC 5D with one amendment to update to 'priority debts and living expenses include, *but are not limited to*, payments for mortgage, rent, council tax, food and utility bills.' The amendment has been made to recognise that in practice customers may have a range of priority debts and living expenses. Further information on 'priority debt' can be found in our Handbook glossary and we have updated CONC 7 and CONC 5D so that all references to 'priority debts' now refer to this definition.

Our new guidance in CONC 7.3.5G(4) makes clear that a sustainable repayment arrangement agreed with a customer which allows them a reasonable period of time to repay the debt is an example of a forbearance option. As discussed above we also note other examples of forbearance and due consideration options such as accepting token payments. But as emphasised in the section Forbearance Options (paragraph 2.26 above), this is not an exhaustive list. Some firms may have put in place forbearance which involve customers making token payments. In our view, token payments are unlikely to constitute a sustainable repayment arrangement as they would not typically involve the customer repaying the debt over a reasonable period of time. In some situations, token payments may be appropriate, where customer's circumstances mean they can only make small payments to acknowledge the existence of the debt and in these circumstances a sustainability assessment may not be needed.

The key point we would emphasise is that firms must treat customers in or approaching arrears or in default with forbearance and due consideration and in doing so effectively engage with customers to determine the most appropriate solution. In the CP we highlighted examples from our supervisory work of firms agreeing repayment arrangements which leave the customer with no disposable income. Inappropriate and unsustainable arrangements can cause harm as customers may have to cut back on other essential expenditure or take out further credit to pay back as much as they can. We want this harm to be addressed so have introduced a requirement on firms to take all reasonable steps to ensure that any repayment arrangements agreed with customers are sustainable.

In response to the appropriateness of debt solutions, we are conducting a review of CONC 8 Debt Advice. However, there are currently overarching principles which include that 'recommending a debt solution which a firm knows, believes or ought to suspect is unaffordable for the customer is likely to contravene Principle 2, Principle 6 and Principle 9 and may contravene other Principles (CONC 8.2.2G).

On the responsibilities FCA regulated creditors have when considering DMP or IVA proposals, we expect firms to satisfy themselves that their processes take account of their obligations under the Consumer Duty to deliver good outcomes to retail customers, including by considering customer vulnerability.

Reviewing forbearance measures

3.19 In the CP we proposed a rule that firms take reasonable steps to ensure that forbearance measures remain appropriate once established. We also proposed supporting guidance on reasonable steps being dependent on customer's circumstances but are likely to include reviews at appropriate intervals and responding as necessary. We asked:

Question 12: *Do you agree with our proposals requiring firms to take reasonable steps to ensure that forbearance measures remain appropriate?*

3.20 Respondents broadly supported our proposals. But there were several responses, particularly from consumer bodies, highlighting that too frequent reviews can place an emotional strain on clients and potentially impact not-for-profit advice capacity. One consumer body suggested we introduce a minimum period which doesn't create too high a burden and should be triggered by an event or an annual review. Other respondents wanted clarity on 'appropriate intervals' and 'reasonable steps'.

Our response

Given the broad support for our proposal we are finalising the rule on taking reasonable steps to ensure that forbearance measures remain appropriate.

We are also introducing the supporting guidance in CONC 7 and CONC 5D with one amendment that firms *may* include reviews at appropriate intervals, replacing '*likely to include*'. We recognise in practice that where customers are meeting the terms of any forbearance/due consideration and have not indicated that they are experiencing difficulty in maintaining the arrangement then no further in-depth review may be required. However, where customers inform firms that their circumstances have changed or firms become aware of relevant information or through monitoring that a customer is struggling to meet the terms of the arrangement then we would typically expect firms to engage the customer. This may include undertaking a further review of the forbearance measure including whether it remains appropriate. We think this provides a proportionate balance for firms to help customers without adding pressure from unnecessary contact.

Income and expenditure assessments

3.21 In the CP we outlined our proposals on assessing income and expenditure including doing so objectively (for example, by reference to guidance in the Standard Financial Statement (SFS) or equivalent guidance), having clear written policies and procedures and that firms make available to the customer a record of any income and expenditure assessment that the firm has made to enable the customer to share the record with other lenders and debt advice providers. We asked:

Question 13: *Do you agree with our proposals for firms to objectively undertake income and expenditure assessments?*

Question 14: *Do you agree with our proposed guidance for income and expenditure assessments on clear policies, assessing whether arrangements are appropriate and sustainable and making available to the customer a record of any income and expenditure assessment made to allow them to share with other lenders and debt advice providers?*

3.22 There were differing views on the reference to the SFS. Some respondents advocated its use, while others suggested removing references to it so that firms can use other options or alternatives. Another respondent suggested we include the reference to the SFS or an equivalent tool.

3.23 There was disagreement from 4 trade bodies, firms and 1 consumer organisation on the proposed guidance to make available to the customer a record of the income and expenditure assessment. One trade body suggested some firms may not have the systems capabilities to share records with customers. Another trade body said their members do not agree this should be a mandatory requirement as it could generate unnecessary costs and complexity. They suggested that the wording in the TSG should instead be carried over to CONC which states that 'firms 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.'

Our response

We are finalising our rule on income and expenditure assessments. We are not mandating firms undertake income and expenditure assessments, but where they do assess income and expenditure, they must do so in an objective manner.

We are also finalising our guidance on income and expenditure assessments with 2 amendments. Firstly, we recognise that firms may use equivalent guidance to the SFS so we are revising CONC 7.3.5E G(2) and CONC 5D.3.9 G(2) to 'a firm may have regard to the spending guidelines in the Standard Financial Statement *or an equivalent tool*'. Secondly, our guidance does not introduce new requirements on firms

to develop systems to be able to share income and expenditure records with customers. However, where firms are able to make records available, they should do so. So, we are adding further clarification to the proposed guidance at CONC 7.3.7AG(4) that '*where possible*, firms should make available to the customer a record of any income and expenditure assessment that the firm has made to enable the customer to share the record 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, a firm may choose to use an income and expenditure assessment completed by another lender where it may be appropriate to do so.

Repossessions and voluntary terminations

Repossessions

- 3.24** In the CP we outlined proposals to extend the rule in CONC 7.3.17R to goods and vehicles, alongside the existing application to the customer's home. We also proposed to introduce a new rule, along with supporting guidance, that firms must not commence or continue repossession action for as long as the customer is meeting the terms of an agreed forbearance arrangement. We asked:

Question 15: *Do you agree with our proposals on repossessions?*

- 3.25** There was broad agreement with our proposals, noting they would help to provide additional safeguards and fair treatment for customers facing repossession of their homes, goods, or vehicles and that repossession should be a last resort.
- 3.26** One respondent sought clarification on the supporting guidance on what a reasonable attempt to engage customers looks like, before firms can begin repossession proceedings.
- 3.27** Another respondent sought clarification on what is a reasonable time for accessing money guidance and debt advice before considering whether to commence repossession action. One respondent suggested 12 weeks as a realistic time, while another respondent referred to the statutory breathing space of 60 days and suggested we may wish to consider this as a minimum period or that we set broader guidance or principles.
- 3.28** One respondent disagreed with our proposal to extend our existing rule not to repossess other than as a last resort to goods and vehicles on the basis they depreciate quicker than a home, and lenders may not be able to recover their asset in an appropriate timescale. They also sought clarification on our expectations of firms on our proposed guidance that firms should inform customers of the impact of the firm suspending any

repossession actions, including on the value of goods or vehicles. They highlighted we should not expect customer facing staff to be advising on exact impacts on credit files or calculating or recalculating Guaranteed Future Value (GFV) or depreciation.

- 3.29** One respondent sought clarity on the proposal that repossession is a last resort where the goods are the property of the creditor, for example, under hire purchase agreements. They stated that in these circumstances the creditor should be able to factor in the implications of delayed repossession on its own position and the value of its own goods, in addition to considering the impact on the customer.

Our response

We are finalising our proposal to extend our rule in CONC 7.3.17R to goods and vehicles. We are also finalising the new rule in CONC 7.3.17AR and supporting guidance in CONC 7.3.20G.

There is no 'one-size-fits-all' approach to how long firms should offer forbearance before commencing repossession action as a last resort or how long customers are given to access money guidance or debt advice. But action to repossess should not be started unless all other reasonable attempts to resolve the position have failed. Firms should be able to evidence that forbearance and due consideration have been appropriately considered before commencing repossession action as a last resort. Our rules and guidance do not seek to unreasonably restrict repossessions and we recognise there may be circumstances where early repossessions are appropriate and in the best interests of the customer.

In response to seeking clarity on our rules and guidance where goods are the property of the creditor, we acknowledge that depreciation may have a financial impact on the firm as well as the customer. Our rules are intended to facilitate a balanced approach such that firms not only consider their own commercial interests but fully consider the impact on the customer and offer any appropriate forbearance before commencing repossession action as a last resort.

Voluntary termination

- 3.30** We proposed to transpose guidance from the TSG that 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 and section 100 of the Consumer Credit Act, a firm should inform the customer in good time of that right, providing information that is clear, fair and not misleading to help the customer decide how to proceed. Where a customer intends to exercise their rights, firms should consider deferring legal liabilities associated with voluntary termination. We asked:

Question 16: *Do you agree with our proposals on voluntary termination?*

- 3.31** There was broad support for our proposals. One respondent disagreed with the proposal that firms should consider deferring associated legal liabilities, expressing it would be to the detriment of lenders and where it relates to smaller lenders, their financial resilience. They also noted that deferring legal liabilities would increase existing concerns by lenders about the abuse of voluntary termination rights.
- 3.32** Two respondents wanted further clarity on our proposals. This included on what is a reasonable period of deferral and how lenders are expected to manage credit file impacts.

Our response

We are finalising our guidance on voluntary terminations so that customers are better informed of their rights under the Consumer Credit Act where relevant. Firms should provide information about the right to terminate, at times when they think it might be most useful to customers based on their circumstances, so that the customer is able to decide whether to terminate, alongside other options. Where relevant, we would also expect firms to provide clear information to customers on how voluntary termination will be reported to the customer's credit file.

Firms should decide, based upon the customer's circumstances, what may be a reasonable period over which to defer any legal liabilities associated with voluntary termination.

Revision to CONC App 1.2

- 3.33** In the CP we outlined our proposal to amend the rules in CONC App 1.2 in relation to the assumptions that should be applied when calculating the Annual Percentage rate (APR) in relation to an open-end credit agreement. We asked:

Question 17: *Do you agree with our proposed amendment to CONC App 1.2?*

- 3.34** Some respondents said it was not applicable to them so had no comment. Of those that responded (8) there was broad support, with feedback that the proposal will provide a more accurate reflection of the APR and help to prevent misleading representations.

Our response

We are finalising our proposed amendment to CONC App 1.2 so that lenders will be required to include in their calculation of the APR situations where they may exercise their rights under a continuous payment authority (CPA) to take all the balance outstanding under the agreement which results in regular redrawing by the customer. We think this will help to prevent potentially misleading APRs being presented by firms.

Chapter 4

Mortgage specific proposals

Increasing balances

- 4.1** In our CP, we set out our proposal that firms must take into account the effect of any potential arrangements on the customer's overall balance when considering what support is appropriate. We asked:
- Question 18:** *Do you have any comments on the increasing balances proposals?*
- 4.2** Respondents generally supported the introduction of a new rule, MCOB 13.3.4AR(3) (a), requiring firms to take into account the effect of any potential arrangements on the customer's overall balance.
- 4.3** One consumer group was concerned that there is little or no obligation on the firm to accept arrangements to prevent increasing balances. They asked that we set out clear definitions and examples to support firms to consider when to take into account the effect on a customer's overall balance.
- 4.4** Another consumer group thought interest and charges should be frozen from the time the customer asks for help. They also were concerned about firms moving to repossess the property at earlier stage instead of offering forbearance options because it would mean the customer's balance is increasing.
- 4.5** On the other hand, 1 trade body said that, due to the nature of the product, the balance on a mortgage account is always increasing unless there is a requirement to waive interest. In their view, a requirement to waive interest would influence customer behaviour and have the effect of lenders moving earlier to take action for possession. This was supported by 1 firm, who thought it could create unrealistic customer expectations. They said they did not believe it to be in a customer's best interests to switch to simple interest or reduce the interest rate and thought agreeing to such arrangements may be more likely to result in unintended long-term consequences, such as reducing the ability to return to a sustainable position on the mortgage and future access to credit.
- 4.6** Many responses also included views on the proposal to include reduced contractual interest payments in the expanded list in MCOB 13.3.4AR(1), which has been discussed earlier in this PS.

Our response

We are finalising the rule in MCOB 13.3.4.AR(3)(a) as proposed.

The rule does not require firms to prevent a balance from increasing. However, a firm must take into account the effect of the proposed support on the customer's overall balance, to deal fairly with a customer. Under the Consumer Duty, firms already need to act in a way that avoids the foreseeable harm caused by an escalating balance. Firms should also show that the total cost of the product, including any fees and charges that are added to the balance, represent fair value.

We acknowledged in the CBA that there is a potential risk that, instead of firms letting balances escalate unfairly, firms move to repossession of properties at an earlier stage. Our mortgages rules remain clear that firms must not seek repossession unless all other reasonable attempts to resolve the position have failed (MCOB 13.3.2AR(6)).

Shortfall statements

- 4.7** In our consultation, we set out our proposal to change the points at which customers receive initial information about missed payments (MCOB 13.4.1R) and the statement of charges (MCOB 13.5.1R). We asked:

Question 19: *Do you agree with our proposal to change and extend the scope of the rules in MCOB 13.4.1R and MCOB 13.5.1R to ensure more timely disclosure of information on any payment shortfall?*

- 4.8** Respondents broadly supported the principle of communicating earlier with customers, but shared concerns about the proposed approach.
- 4.9** One trade body did not support the requirement to send communications to customers whose mortgage account is not up to date, regardless of their circumstances. They suggested a more proportionate, outcomes-based approach to achieving consistency in the provision of information but argued that it should not be prescriptive. One firm welcomed steps to bring forward the point at which firms notify customers of their financial position, but also advocated an outcomes-based approach where firms could use bespoke communication strategies based on customer characteristics.
- 4.10** Many industry representatives argued that approximately 80% of initial payment shortfalls are rectified within 30 days. So, sending out information to these customers (all accounts with any amount of shortfall, rather than those in arrears) would be unnecessary, create undue stress for customers and disproportionate costs for firms.
- 4.11** Consumer groups agreed with the proposal to issue relevant information to all customers in payment shortfall but warned about the impact of communicating too frequently. One group advised that customers in vulnerable circumstances may need a more nuanced approach, as multiple letters can significantly impact wellbeing and

exacerbate existing issues. This was supported by industry representatives, who explained that the execution of such communications needs to be considered in terms of timing and content, as a one-sized fits all approach will not work for all customers.

Our response

We understand the benefits of flexibility and tailoring when communicating with customers who are in or facing early payment difficulties. Through the consultation we were given new evidence that many customers in payment shortfall were able to bring their account up to date before falling into arrears. We agree that introducing prescribed communication to customers with small or self-curing payment shortfalls could be counterproductive.

So, we are not implementing the changes we proposed to MCOB 13.4.1R. Aligned with the Consumer Duty, firms should adopt an outcome-based approach when communicating with customers in early payment difficulties, to deliver good outcomes. Firms should proactively inform customers, considering a range of communications channels, that they are not up to date with payments.

Firms should consider whether it is appropriate to provide the information set out in MCOB 13.4.1R before an account is in arrears. For example, a customer may find it helpful to receive the MoneyHelper information sheet 'Problems paying your mortgage' before they enter arrears, depending on their individual circumstances. MCOB 13.4.3G(2) confirms that firms providing the information set out in MCOB 13.4.1R when a payment shortfall occurs would not need to provide it again if the account falls into arrears.

As we are not making the changes to the initial provision of information requirement, we will not require firms to send quarterly statements to customers when they have entered shortfall, as customers should receive the initial provision of information before receiving any subsequent statements.

To ensure that all customers in arrears are receiving regular information about their account we are making changes to MCOB 13.5.1R. This will require firms to send a statement to all customers in arrears at least quarterly, not just to those where the arrears or shortfall is attracting charges.

Capitalisation

- 4.12** We proposed to amend existing guidance to make it clearer that firms can agree to capitalise a payment shortfall in certain circumstances in line with the customer's best interests, rather than only where no other option is realistically available to help the customer. We asked:

Question 20: *Do you agree with our proposals to amend the guidance in MCOB 13.3.4DG?*

Question 21: *Do you agree with the factors we propose a firm considers when determining whether capitalisation is appropriate?*

Question 22: *Do you have any comments relating to determining the affordability of future capitalised payments?*

- 4.13** Respondents welcomed these proposed changes, with both the industry and consumer groups recognising the benefits of allowing firms to take a more balanced approach to considering the benefits and costs of capitalisation.
- 4.14** One industry representative was concerned that the proposed guidance appears to mean that lenders have to give advice as to whether capitalisation is in the customer's best interests, and that the lender could subsequently create a liability for itself. A consumer group asked for more clarity on what we mean by customer's best interests, as lenders' and customers' views on this may differ.
- 4.15** Some consumer groups raised concerns on how the affordability and appropriateness of capitalisation was determined. This included specific questions on how robust affordability assessments would be, taking account of payment history and wider indebtedness, ensuring that capitalisation does not result in an inability to pay other debts, and what should happen where a customer's situation changes after capitalising the arrears.
- 4.16** Another consumer group referred to an existing rule (MCOB 13.3.4AR(1)(d)) which prevents firms from automatically capitalising a payment shortfall where the impact would be material. They suggested that if capitalisation was deemed to be material this should not override a decision to capitalise arrears if it is in the best interests of the customer.

Our response

We are finalising our amendments to the capitalisation guidance as proposed.

Firms considering whether capitalisation is in line with a customer's best interests does not mean lenders need to give regulated advice. Considering whether it is in a customer's best interests does not mean recommending a course of action, but aims to prevent customers experiencing poor outcomes.

We agree that firms should be mindful of the impact of capitalisation on the customer. Our existing rules under MCOB 13.3.4AR emphasise the importance of taking into account the customer's individual circumstances when considering whether any potential arrangement is appropriate. We consider that the new supporting guidance in MCOB 13.3.4DG helps firms to determine whether capitalisation might be

appropriate. This includes reasonably considering that the customer can afford the capitalised payments. Capitalisation is a strategy that should be used for customers who have recovered. If capitalisation would result in an inability to pay other debts, this is unlikely to be appropriate. As outlined earlier in the PS, we have finalised our new guidance (MCOB 13.3.4CG (3)) that firms should take into account a customer's wider indebtedness including taking into account other priority debts, and the consequences of falling behind on them, when considering or offering forbearance.

Where capitalisation is appropriate and in line with the customer's best interests, it can lead to positive outcomes for the customer. The effect of capitalisation is that the account is regarded as up-to-date and no longer in shortfall. This, in turn, can lead to increased availability of other products. If a customer's circumstances were to later change, we expect firms to again treat the customer fairly under MCOB 13.

As set out in our consultation, we are not prescribing how firms determine whether a customer is able to afford the capitalised payments, as we want firms to use their discretion based on the customer's individual circumstances. Many respondents welcomed this flexibility, as it allows firms to take a proportionate approach and not undertake income and expenditure assessments where this is not necessary, eg where a customer has already shown they can afford the new capitalised payments.

Ensuring arrangements remain appropriate

4.17 It is important that customers receive tailored support that is appropriate given their individual circumstances, and that any arrangements remain appropriate throughout the life of that arrangement. In our consultation, we asked:

Question 23: *Do you agree with our proposals for firms to ensure that forbearance arrangements remain appropriate?*

Question 24: *Do you agree with our proposed guidance on what we consider to be reasonable steps?*

4.18 Respondents were mostly positive, particularly consumer groups.

4.19 Most firms and consumer groups who responded to these questions agreed that the amount of contact made with customers as a result of these rules should be proportionate. More than one consumer group stated that firms contacting customers has the potential to be harmful if the content is inappropriately targeted or is too frequent. One consumer group was concerned that too many reviews may lead to customers feeling bombarded with communications or pressured into arrangements that they were not comfortable with.

- 4.20** One firm highlighted that expecting firms to take a blanket approach to ensuring any arrangement remains appropriate could lead to potential harm and a poor customer experience. A consumer group explained that they would also like to see flexibility of approach, to cope with different customer needs and changing circumstances. One trade body suggested that for shorter arrangements, a reactive approach may work well.
- 4.21** One firm explained that if a customer does not want to review the arrangement or does not engage with the firm, then the firm would not advocate ending the arrangement if the customer is still meeting the terms of the arrangement. One consumer group raised a similar point, stating that if nothing material has changed then the arrangement should be renewed.
- 4.22** On Q24, consumer groups requested further clarity. One asked what we mean by reasonable steps. Another wanted to see more definition as to what a reasonable interval for review is and proposed that these should take place 6 months after the arrangement is initially agreed, and 12 monthly thereafter.
- 4.23** The same consumer group flagged that where Scottish statutory debt solutions are in place, these would be subject to the review rules applicable to the relevant administrator, and it thought it should be clear that the administrator controls the review process for some arrangements entered into.

Our response

Given the broad support for these changes, we are finalising our rule and guidance to ensure forbearance arrangements remain appropriate.

Lenders are expected to agree forbearance arrangements which last for an appropriate period having considered a customer's individual circumstances. Where there are changes to an individual's circumstances, firms should take this into account and adjust any arrangements accordingly. We recognise the importance of flexibility when it comes to what constitutes reasonable steps to ensure a customer's arrangement is still appropriate. As set out in guidance, what is reasonable may depend on a number of factors including, but not limited to, the customer's individual circumstances, the nature of the agreement, and the wider economic environment. This offers scope for firms and customers to adopt a flexible and tailored approach which suits the needs of their customers, in line with the Consumer Duty.

As such, we are not persuaded that these changes risk customers receiving excessive communication. Firms should consider what action, if any, is reasonable for a particular customer, and what amount and form of communication is required.

We recognise that some firms may be bound by rules outside our regulatory perimeter. Other legal minimum review requirements do not prevent firms from taking more frequent reasonable steps to ensure that an arrangement remains appropriate.

Taking account of wider indebtedness

4.24 In the consultation, we set out our proposals that firms take into account wider indebtedness when considering appropriate support for a customer. We asked:

Question 25: *Do you agree with our proposals to provide additional guidance at MCOB 13.3.4CG to include taking account of wider indebtedness?*

4.25 Respondents supported this proposal and firms that responded generally agreed that they are already doing this.

4.26 Two trade bodies wanted further guidance on what we considered to be a priority debt. One consumer group suggested that any debts that have been agreed as a priority debt by a debt advisor should form part of this definition. Another consumer group noted that a priority debt is not necessarily defined by the nature of the debt, but also other factors – such as how far along it is on the enforcement process, and the effect of any relevant sanctions.

4.27 Some respondents iterated the benefit of referring such customers to seek free debt advice, though an industry representative believed that this was already happening.

Our response

We welcome that many firms are already considering wider indebtedness and we are finalising the guidance in MCOB 13.3.4CG. These changes mean that firms should take account of customers' wider indebtedness when considering potential arrangements. This includes the impact of a customer failing to maintain other priority debt payments.

To provide clarity about what is a priority debt, we are linking the term in MCOB 13.3.4CG with the existing [Handbook definition](#). We consider this definition to be wide reaching and cover extensive obligations, which include, but are not limited to, payments for rent, council tax and utility bills. When taking account of wider indebtedness, firms should be mindful that customers' individual circumstances can vary, which is likely to impact what could be considered a priority debt. We agree with respondents who noted that what is considered a priority debt will not only depend on the nature of the debt, but also other wider factors. For example, some debts are more urgent than others because the consequences of not paying them can be more serious than for other debts. Firms should consider the individual circumstances of the customer and take such debts into account when considering or offering forbearance.

We set out earlier in this PS that firms must now effectively communicate the potential benefits of accessing free and impartial money guidance and debt advice.

Sharing income and expenditure assessments

4.28 In the CP, we set out our proposal that firms should offer to provide a customer a record of any income and expenditure assessment that it has completed while providing support under MCOB 13. We asked:

Question 26: *Do you agree with our proposal for firms to share income and expenditure assessments with customers where possible?*

4.29 Respondents were generally in favour of this proposal, noting that giving a customer a record of their income and expenditure assessment could benefit customers, particularly those with vulnerabilities or multiples debts, enabling them to share this with other lenders or debt advice providers.

4.30 Three respondents requested that we add 'within system capabilities' to the rule, so that it is clear that firms without the current systems to provide these assessments would not be required to share them.

4.31 Some consumer bodies wanted us to clarify where it would not be possible for a firm to share an income and expenditure assessment.

Our response

We are finalising our guidance that firms should share income and expenditure assessments where possible.

We recognise that there are some situations where sharing an income and expenditure assessment may not be possible. Firms may not have the system functionality to be able to give it to customers, and we do not think it is proportionate to require firms to develop systems for this purpose alone. However, where a firm can give such an assessment to a customer, it should offer to do so.

Income and expenditure assessments are documents which may evolve and change quickly, depending on the circumstances of the customer. So, firms are not required to use one prepared by another firm, though this does not prevent a firm from using another firm's assessment to get information on the customer's income and expenditure.

Record keeping

4.32 In our CP, we set out our proposals to expand the scope of our record keeping requirements to include those who may have payment difficulties. We also proposed to clarify that video calls between the firm and the customer which discuss any amount in arrears or any amount subject to payment shortfall charges should be recorded (as part of the requirement to record telephone calls in these instances). We asked:

Question 27: *Do you agree with our proposal to extend the rule in MCOB 13.3.9R to include customers who have or may have payment difficulties?*

Question 28: *Do you agree with our proposed clarification on recording video calls in MCOB 13.3.9R? Do you agree with our proposal not to extend this to those facing payment difficulties?*

- 4.33** All respondents agreed with the clarification that video calls are included in the requirement to record telephone calls with customers that discuss any amount in arrears or subject to payment shortfall charges. Some respondents were unclear about whether we were proposing to extend the call recording requirements to all those facing payment difficulties.
- 4.34** Respondents generally supported the extension of record keeping to include those who have or may have payment difficulties. One respondent thought the phrasing was too broad and suggested that it instead should apply to customers who have or are at risk of payment difficulties, so as not to overinflate the number of customers included within the provision. Another wanted to emphasise the need for the records to be reviewed and used to improve practice and customer service.

Our response

We are finalising the amendments to MCOB 13.3.9R (1), so that firms must keep adequate records with any customers who have or may have payment difficulties. It is important that firms enable agents 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. This should not be limited only to those in a payment or sale shortfall, particularly as we are making changes requiring firms to support those who have not yet missed a payment but are at risk of a payment shortfall.

We are not changing 'customers who have or may have payment difficulties' to 'customers who have or are at risk of payment difficulties', as suggested by one respondent. This change would be likely to create confusion due to a departure from the scope as defined in MCOB 13.3.1R. We have defined at MCOB 13.3.1R(1A) what a customer who has or may have payment difficulties is and this includes being at risk of falling into payment shortfall.

We are also proceeding with the amendment to clarify that the call recording requirement in MCOB 13.3.9R (1) includes video calls.

It is important to distinguish the difference between record keeping and call recordings. An adequate record of an interaction may be kept without the need for a call recording, though we recognise that some firms may record all calls to satisfy the MCOB 13.3.9 (1) rule to keep adequate records. However, MCOB 13.3.9 (1) only requires firms to record calls between the firm and the customer which discuss any amount in arrears

or any amount subject to payment shortfall charges, as part of their record keeping. We are not extending the requirement to record calls conversations with all customers who have or are may have payment difficulties. We think this would add complexity for firms determining whether, at the start of the call, a customer may be facing payment difficulties. So may not be workable or proportionate.

Application to home purchase plans

4.35 MCOB 13 applies (with some exceptions) to regulated home purchase plans, so home purchase providers and administrators are affected by the changes we are making to MCOB 13, as set out in this PS. We asked:

Question 29: *Do you have any comments on the proposed amendments to MCOB 13.8?*

4.36 Respondents agreed with the proposals to amend the scope of MCOB 13.8.

4.37 One respondent raised that many of the remedies set out in MCOB 13.3.4AR will not be available to customers with home purchase plans, as they do not pay interest.

4.38 Another respondent wanted to emphasise that any amendments to MCOB 13.8 should not inadvertently create loopholes or reduce consumer protections in this space. They also emphasised the importance of monitoring the effectiveness of the changes.

Our response

As we are not proceeding with the proposal to change the points at which customers receive the initial provision of information about missed payments (MCOB 13.4.1R) and the statement of charges (MCOB 13.5.1R), we will not be making the consequential changes to MCOB 13.8.1 and MCOB 13.8.2. Firms should however note the change to MCOB 13.5.1R, which will require firms to send a statement to all customers in arrears at least quarterly, not just to those where the arrears or shortfall is attracting charges.

We are implementing the remaining, consequential change to MCOB 13.8 as proposed, so that the amended rules on establishing and applying a policy and procedures for dealing fairly with customers in MCOB 13.3 apply.

The nature of products, such as home purchase plans, may mean that certain types of support are not available in some cases. Firms may not always be able to offer all the support listed in MCOB 13.3.4AR. It is important that firms consider what type of support is appropriate for the customer, given their individual circumstances. This should include consideration of the type of product.

Application to MCOB 14 and MCOB 15

4.39 We set out how our proposals would impact certain MCD article 3(1)(b) credit agreements, as well as peer-to-peer-platform operators. We asked:

Question 30: Do you have any comments on the consequential impacts to:

- a. MCOB 14?*
- b. MCOB 15?*

4.40 We received few comments relating to this proposal. One respondent requested that the impacts of MCOB 14 and MCOB 15 be carefully considered to ensure consistent and comprehensive regulation, as well as adequate consumer protection.

4.41 Another respondent highlighted its concern that there are incentives for peer-to-peer lenders to not support customers in financial difficulty because they can claim tax relief on unpaid loans.

Our response

We are implementing the consequential changes to MCOB 14 and MCOB 15 as proposed.

It is important that customers who are experiencing payment difficulties receive the right level of support, and this should not be restricted because of the nature of the product.

We are focused on putting consumers' needs first. Improving consumer protection and standards for all consumers and ensuring firms providing support for struggling consumers remains a priority. Where we see firms not providing the right support, we will act quickly to put this right.

Annex 1

List of non-confidential respondents

Automobile Association Insurance Services Limited (AAISL)

Aberdein Considine

Association of British Insurers (ABI)

Association of Mortgage Intermediaries (AMI)

Arthur J. Gallagher

Association of Short Term Lenders (ASTL)

Aviva

Barclays

Building Societies Association (BSA)

Christians Against Poverty (CAP)

Citizens Advice Scotland

Consumer Council of Northern Ireland

Consumer Credit Trade Association (CCTA)

Credit Services Association (CSA)

Debt Managers Standards Association (DEMSA)

Fair4All Finance

Finance and Leasing Association (FLA)

Financial Services Consumer Panel

Institute of Money Advisers (IMA)

Law Society of Scotland

Lending Standards Board

Lloyds Banking Group

Lowell

Macmillan Cancer Support

Money Advice Scotland

Money Advice Trust

Money and Mental Health Policy Institute

Money and Pensions Service (MaPS)

NatWest Group plc

Royal & Sun Alliance Insurance Ltd

StepChange

The Money Charity

UK Finance

Vanquis Banking Group

Annex 2

Cost Benefit Analysis Update

1. We have revised the Cost Benefit Analysis (CBA) to include an additional 2,200 consumer credit firms, mainly consumer hire and P2P firms.
2. These firms had not been included in the original CBA because the FCA does not currently gather data on consumer hire outstanding agreements. We were (and are) therefore not in a position to determine if these firms would be impacted by our proposals, which we originally considered to be an important factor in the scope of the CBA. However, for completeness, we have now included them and conducted a revised analysis, consistent with the baseline being all firms in scope of CONC 7. Although we cannot determine whether or not all these firms have outstanding agreements, if they do now or in the future they will incur costs from our proposals.
3. This takes the revised total number of consumer credit firms impacted by our proposals to 4,640 and the total number of firms across all three sectors to 4,700. We note that some firms will offer / provide multiple impacted products. As such, the total number of firms across mortgages, overdrafts and consumer credit will be greater than 4,700 as some firms are included in more than one area.
4. The table below shows the number of firms which could be affected by our proposals split by sector and firm size.

Firm Size	Mortgages	Consumer Credit	Overdrafts
Small	95	4,444	37
Medium	83	155	6
Large	16	40	10
Total	194	4,639	53

6. The assumptions we made in the original CBA remain and therefore the per firm costs remain the same as detailed in the original CBA.
7. The total one-off costs for consumer credit firms in all categories have increased, these updated costs are detailed in the table below:

Cost Category	£m
Familiarisation, legal review, and gap analysis	1.7
Governance and process change	7.0
Training costs	7.4
IT	12.7
Signposting to debt advice	2.8
Total	31.8

The overall cost for consumer credit firms has risen from £16.1m to £31.8m. These are one-off costs from implementing our proposals.

8. The total one-off costs for mortgage; consumer credit and overdrafts firms are detailed in the table below. The mortgage and overdraft firm costs remain unchanged, only the consumer credit firm costs have increased due to the increase in the number of consumer credit firms.

Cost Category	£m
Familiarisation, legal review, and gap analysis	2.0
Governance and process change	8.3
Training costs	7.9
IT	13.8
Total	32.0

10. The table below shows the updated costs and benefits for all the proposals. The quantified benefits remain unchanged from the original CBA, as well as costs of mortgage shortfall statements and the proposal for signposting customers to debt advice.

Measure	Quantified Costs, £m	Quantified Benefits, £m
One-off costs (familiarisation, training, IT and governance) of policy package	32.0 ¹	-
TSG – signposting debt advice (annual, ongoing)	6.8	-
TSG –well-being effects from reducing escalating balances (annual)		5.7-10.7
Mortgage shortfall Statements (annual, ongoing)	0.4	-
Total costs/benefits	One off – 32.0 Ongoing – 7.2	One off – 0 Ongoing – 5.7-10.7
Total discounted costs / Benefits over 10 years ²	94.7 ³	49.2-91.8

1 One off costs are from the totality of our measures. Due to the nature of the measures, it would not be proportionate to split them out into TSG-derived measures and the other measures that we are implementing.

2 We have not included the costs / benefits from the consumer credit fees proposal in the 10-year discounted figures as this is a transfer from firms to consumers. This is a cost to firms but an equal sized benefit to consumers.

3 We have not included total costs here where we do not have full data on firm numbers

Measure	Quantified Costs, £m	Quantified Benefits, £m
Unquantified benefits	<ul style="list-style-type: none"> - Lower overall costs to consumers from interest, fees and charges - Lower time costs - Reduced time and effort by firms and consumers on dealing with debt and arrears - Reduced negative impact on consumers' credit files 	

- 11.** We consider the size of the benefits, although they remain unchanged despite the rise in costs, to be sufficiently large to outweigh the costs. There are significant benefits including:
- Lower overall costs from interest, fees, and charges (including consumer credit fees, for which cost savings are quantified)
 - Lower time costs, as we would expect customers to need to speak to firms less if debt problems are resolved quickly in sustainable and appropriate ways
 - Reduced impact on credit files which could affect customers' ability to get new (and cheaper) credit products once they are out of financial difficulty
 - In the longer term, customers resolving their debt problems faster and more sustainably will be able to access credit again at better terms
- 12.** We are not able to estimate these benefits as it is not reasonably practical to do so. Firms need to review their current practices and, in the light of our proposals, will need to change them if needed. These changes will be firm specific, and may be dependent on how they have already complied with the TSG. In addition, where firms change their approach, it is not completely foreseeable to know how customers' behaviour will change. For example, we do not know the precise extent to which our proposals will prompt consumers to access more debt advice. We know that debt advice is beneficial to consumers, but it is not possible to accurately estimate the size of the benefit likely to arise.
- 13.** In addition, we have quantified the wellbeing benefits from the escalating balances proposals and from this estimate benefits will be between £49.2m and £91.8m over the 10-year appraisal period.
- 14.** We have also recalculated our breakeven analysis to demonstrate the size benefits would need to be per consumer for the benefits to equal the costs. We have estimated that around 10m to 12m consumers may benefit from our proposals over a 10-year period.
- 15.** For the policy to breakeven, each consumer would on average need to receive additional benefits of £8 and £9, having risen from £6 to £8 in the original analysis. We believe our proposals will provide benefits, as referenced in the table above, to consumers over and above the amount to break-even and therefore we can say the costs are proportional to address the harm to consumers.

Annex 3

Abbreviations used in this paper

Abbreviation	Description
APR	Annual Percentage rate
BBLs	Bounce Back Loan Scheme
CBA	Cost Benefit Analysis
CCA	Consumer Credit Act
CEO	Chief Executive Officer
CONC	The Consumer Credit Sourcebook of the FCA Handbook
CP	Consultation Paper
CPA	Continuous Payment Authority
CRA	Credit Reference Agency
DMP	Debt Management Plan
FCA	Financial Conduct Authority
FG	Finalised Guidance
FSMA	Financial Services and Markets Act 2000
GDPR	General Data Protection Regulation
GFV	Guaranteed Future Value
IFRS	International Financial Reporting Standards
IVA	Individual Voluntary Agreement
MCD	Mortgage Credit Directive
MCOB	The Mortgage Conduct of Business Sourcebook of the FCA Handbook
P2P	Peer to Peer
PAYG	Pay as You Grow

Abbreviation	Description
PCA	Personal Current Account
PERG	The Perimeter Guidance manual of the FCA Handbook
PRA	Prudential Regulation Authority
PRIN	The Principles for Businesses
PS	Policy Statement
SFS	Standard Financial Statement
SYSC	Senior Management Arrangements, Systems and Controls
TSG	Tailored Support Guidance
UK	United Kingdom

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Appendix 1

Made rules (legal instrument)

CONSUMER CREDIT AND MORTGAGES (TAILORED SUPPORT) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 4 November 2024.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
General Provisions sourcebook (GEN)	Annex B
Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)	Annex C
Consumer Credit sourcebook (CONC)	Annex D

Notes

- E. In the Annexes to this instrument, the notes (indicated by “**Note:**”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Consumer Credit and Mortgages (Tailored Support) Instrument 2024.

By order of the Board
28 March 2024

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following definition as shown.

priority debt (in MCOB, BCOBS, CONC 5.2A, ~~and~~ CONC 5.5A, CONC 5D, CONC 6 and CONC 7) an obligation on the part of a *consumer* to make a payment:

...

Annex B

Amendments to the General Provisions sourcebook (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

Guidance applying while a firm has temporary permission

...

2.2.35A G A *TP firm* should refer to the provisions listed below, which identify the *rules* and *guidance* in their sourcebooks that came into force after *IP completion day* and in respect of which special provision has been made to apply them to *TP firms*.

...

and *SUP* 16.27.8R

CONC 5D.1.1AG

CONC 5D.3.4R to *CONC* 5D.3.11G

CONC 7.2.2AG

CONC 7.2.4R and *CONC* 7.2.5G

CONC 7.3.4AG and *CONC* 7.3.4BR

CONC 7.3.5AG to *CONC* 7.3.5JG

CONC 7.3.13AG

CONC 7.3.17AR

CONC 7.3.20G to *CONC* 7.3.22G and

CONC 7.7.6G

...

Annex C

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application and purpose

...

1.2 General application: who? what?

...

Applicability of MCOB to regulated mortgage contracts which had previously been regulated credit agreements

- 1.2.21 G (1) By virtue of amendments to articles 60B, 60C and 61 of the *Regulated Activities Order* which came into force on 21 March 2016, certain *regulated credit agreements* became *regulated mortgage contracts* (but see the transitional provisions described in (3) below). The provisions of *MCOB* that apply to these *regulated mortgage contracts* include:

...

- (c) *MCOB* 13 (~~Arrears, payment shortfalls~~ Payment difficulties and repossessions: regulated mortgage contracts and home purchase plans).

...

...

1.6 Distinguishing regulated mortgage contracts and regulated credit agreements

...

- 1.6.4 R If, notwithstanding the steps taken by a *firm* to comply with *MCOB* 1.6.3R, it transpires that a mortgage which the *firm* has treated as unregulated or as a *regulated credit agreement* is in fact a *regulated mortgage contract*, the *firm* must as soon as practicable after the correct status of the mortgage has been established:

...

- (2) apply to the *regulated mortgage contract* all relevant *MCOB* requirements, such as those on disclosure (in *MCOB* 7) or on the

treatment of *customers in arrears* who have or may have payment difficulties (in MCOB 13).

...

7 Disclosure at start of contract and after sale

...

7.5 Mortgages: statements

...

Annual statement – additional content for customers in arrears

- 7.5.8 G If a *firm* chooses to use the annual statement to provide a *customer* with a regular written statement in accordance with MCOB 13.5.1R (Statements of charges), as described in MCOB 13.5.2G(4), it will need to include the actual *payment shortfall* in the annual statement.

...

7.7 Business loans and loans to high net worth mortgage customers: tailored provisions

Further advances

...

- 7.7.2 G Where a *customer* remains in breach, for more than one month, of an agreed borrowing limit or of an obligation to repay where the *regulated mortgage contract* does not have a regular repayment plan, *firms* are reminded that MCOB 13 (~~Arrears~~ Payment difficulties and repossessions) applies.

...

12 Charges

...

12.4 Payment shortfall charges: regulated mortgage contracts

...

- 12.4.3 G *Firms* are also subject to requirements on information provision and standards relating to ~~arrears~~ payment shortfalls and *repossessions* (see MCOB 13 (~~Arrears~~ Payment difficulties and repossessions)).

...

13 ~~Arrears, payment shortfalls~~ Payment difficulties and repossessions: regulated mortgage contracts and home purchase plans

13.1 Application

Who?

...

13.1.2 R ...

13.1.2A R To the extent that a rule in this chapter does not already apply to Gibraltar-based firms as a result of GEN 2.3.1R, it applies to them so far as the rule would have applied were it in effect before IP completion day.

...

13.2 Purpose

13.2.1 G This chapter ~~amplifies Principle 6 in respect of the information and service provided to~~ sets out obligations to help ensure that customers who have or may have payment difficulties, or who face a sale shortfall, receive appropriate information and support.

...

13.3 ~~Dealing fairly with customers with a payment shortfall:~~ policy and procedures

13.3.1 R (1) A firm must deal fairly with any customer who:

(a) ~~has a payment shortfall on~~ or may have payment difficulties in respect of a regulated mortgage contract or home purchase plan;

...

(c) ...

(1A) For the purposes of MCOB 13, a customer has or may have payment difficulties if:

(a) the customer has a payment shortfall;

(b) the customer indicates to the firm that they are at risk of falling into payment shortfall; or

(c) the firm otherwise becomes aware that the customer may be at risk of falling into payment shortfall.

(2) ...

- (3) A firm must ensure that the effectiveness of any policies and procedures put in place further to paragraph (2), and the firm's compliance with them, is reviewed at appropriate intervals.

13.3.1-A G In the FCA's view, in order to comply with MCOB 13.3.1R, firms should ensure that the review required by paragraph (3) includes consideration of the full extent of support provided to some customers under this chapter, and does not only assess individual customer interactions in isolation.

...

Vulnerable customers

13.3.1C R A firm must 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.

13.3.1D G (1) ~~Customers who have mental health difficulties or mental capacity limitations may fall into the category of particularly vulnerable customers~~ In developing procedures and policies to comply with MCOB 13.3.1CR, a firm should have regard to the FCA's Guidance for firms on the fair treatment of vulnerable customers (FG21/1) (<https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf>).

...

Customers ~~in~~ and payment difficulties: procedures

13.3.2A R A firm must, when dealing with any customer ~~in~~ who has or may have payment difficulties:

(-1) where appropriate:

- (a) inform a customer that free and impartial money guidance and debt advice is available, including from not-for-profit bodies;
- (b) effectively communicate the potential benefits of accessing free and impartial money guidance and debt advice, and the range of channels through which it is available; and
- (c) signpost or refer the customer to suitable sources of free and impartial money guidance or debt advice;

(1) ...

(2) liaise, if the customer makes arrangements for this, with a third party source of advice regarding ~~the~~ any payment shortfall or sale shortfall;

- (3) allow a reasonable time over which ~~the~~ any payment shortfall or sale shortfall should be repaid, having particular regard to the need to establish, where feasible, a payment plan which is practical in terms of the circumstances of the *customer*;

...

...

13.3.4A R In complying with MCOB 13.3.1R(1) and MCOB 13.3.2AR(6) in respect of customers who have or may have payment difficulties:

- (1) a *firm* must consider whether, given the individual circumstances of the *customer*, it is appropriate to do one or more of the following in relation to the *regulated mortgage contract* or *home purchase plan* with the agreement of the *customer*:

...

- (c) waive or defer payment of capital and/or interest due on the regulated mortgage contract or of sums due under the *home purchase plan* (including in either case, on any *sale shortfall*); or

- (ca) reduce the interest rate being charged to the customer, or apply simple interest instead of compound interest; or

- (d) treat ~~the~~ a payment shortfall as if it was part of the original amount provided (but a *firm* must not automatically capitalise a *payment shortfall* where the impact would be material); or

...

- (2) a *firm* must give *customers* adequate information to understand the implications of any proposed arrangement; ~~one approach may be to provide information on the new terms in line with the annual statement provisions~~ and of not agreeing an arrangement. This information must include the potential impact on the customer's overall balance and how it will be reported to the customer's credit file.

- (3) a firm must:

- (a) take into account the effect of any potential arrangements on the customer's overall balance; and

- (b) take reasonable steps to ensure that any arrangements with customers in payment shortfall remain appropriate.

- 13.3.4A R ...
A
- 13.3.4A G What is reasonable in any given case for the purposes of MCOB
B 13.3.4AR(3)(b) will depend on the customer's circumstances and the nature
of the arrangements, but this is likely to involve reviewing the
arrangements at appropriate intervals and responding as necessary. It will
also involve reacting appropriately to any relevant information the firm is
otherwise made aware of, such as correspondence from a debt adviser.
- 13.3.4A G A firm should not renew arrangements with a customer on the same basis
C without considering whether this is appropriate.
- ...
- 13.3.4C G (1) Firms should note that the list of options to consider as set out at
MCOB 13.3.4AR(1) is not exhaustive. The FCA would expect firms
to be able to justify a decision to offer a particular option.
- (2) Firms should take into account that customer circumstances will
vary and should therefore:
- (a) ensure they employ a sufficient range of options to help
customers;
- (b) offer to engage with customers through a range of channels,
changing the channel if necessary to enable customers to
engage with them effectively; and
- (c) be transparent with customers about the range of options
they may consider and the communication channels
available. This information should be set out clearly,
including in a prominent location on firm websites.
- (3) Firms should take account of a customer's wider indebtedness.
Where a customer indicates that they are having difficulty paying
priority debts (other than payments under a regulated mortgage
contract or a home purchase plan), firms should consider this and
the consequences of the customer falling behind on those debts
when considering potential arrangements for a customer.
- (4) Where possible, a firm should offer to provide to the customer a
record of any income and expenditure assessment that the firm
prepares while providing support under this chapter.
- 13.3.4D G In the FCA's view, in order to comply with Principle 6, firms should not
agree to capitalise a payment shortfall save where no other option is
realistically available to assist the customer. although firms must not
automatically capitalise a payment shortfall where the impact would be
material, it may be appropriate to agree to capitalise a payment shortfall if:

- (1) the firm reasonably considers (taking into account the root cause of the payment shortfall) that the customer can afford the capitalised monthly payments;
- (2) other options to repay the payment shortfall more quickly have been considered; and
- (3) taking account of the customer's individual circumstances, the firm reasonably considers that capitalisation is in accordance with the customer's best interests.

...

Record keeping: ~~payment shortfalls and repossessions~~

- 13.3.9 R (1) A mortgage lender or administrator must make and retain an adequate record of its dealings with a customer who has or may have payment difficulties, or whose account has a payment shortfall ~~or a sale shortfall~~, which will enable the firm to show its compliance with this chapter. That record must include a recording of all telephone conversations (including video calls) between the firm and the customer which discuss any amount in arrears or any amount subject to *payment shortfall* charges.

...

...

13.5 Dealing with a customer in arrears or with a sale shortfall on a regulated mortgage contract

Statements ~~of charges~~

- 13.5.1 R Where an account is in *arrears*, ~~and the payment shortfall or sale shortfall~~ (whether or not the shortfall is attracting charges), a firm must provide the customer with a regular written statement (at least once a quarter) of the payments due, the actual *payment shortfall*, ~~the charges incurred and the debt and, where relevant, the charges incurred.~~
- 13.5.2 G (1) For the purpose of MCOB 13.5.1R, charges ~~that trigger the requirement for regular statements~~ include all charges and fees levied directly as a result of the account falling into *arrears*. This includes charges such as monthly administrative charges, legal fees and interest. ~~If interest is applied to the amount of the arrears, as it is applied to the rest of the mortgage, a firm need not send a written statement, unless other charges are also being made. If interest is applied to the amount of the arrears in a different manner to the rest of the mortgage then a written statement will be required.~~

...

...

13.8 Home purchase plans

Dealing fairly with customers ~~in arrears~~: policy and procedures

Note: The rules on establishing and applying a policy and procedures for dealing fairly with *customers in arrears* apply (see *MCOB* 13.3).

...

14 MCD article 3(1)(b) credit agreements**14.1 Handbook provisions which apply in respect of MCD article 3(1)(b) credit agreements**

...

14.1.3 R Subject to *MCOB* 14.1.5R and *MCOB* 14.1.7R:

- (1) *MCD article 3(1)(b) creditors* and *MCD article 3(1)(b) credit intermediaries* must comply with the following provisions in *MCOB*. These provisions apply with such changes as are necessary to apply them to *MCD article 3(1)(b) credit agreements* and activity undertaken in relation to those agreements (see *MCOB* 14.1.4G):

...

- (r) *MCOB* 13 (~~arrears, payment shortfalls~~ difficulties and repossessions) except for *MCOB* 13.3.9R;

...

...

14.1.7 R The following provisions do not apply to an *MCD article 3(1)(b) creditor* or *MCD article 3(1)(b) credit intermediary* where the conditions in *CONC* 1.2.10R(2) are fulfilled: *MCOB* 7.5 (mortgages: statements) and *MCOB* 13 (~~arrears, payment shortfalls~~ difficulties and repossessions) (except for *MCOB* 13.3.1AR to *MCOB* 13.3.1BG, *MCOB* 13.3.2AR to *MCOB* 13.3.8G, and *MCOB* 13.6.1R to *MCOB* 13.6.2G, which apply even where those conditions are fulfilled).

...

15 P2P home finance activities

...

15.3 Further provisions about the application of MCOB where agreements are facilitated by a P2P platform

...

15.3.2 R *MCOB 13 (arrear, payment shortfalls difficulties and repossessions) applies to a firm which is a P2P platform operator in respect of regulated mortgage contracts or home purchase plans. It applies as though:*

...

...

15.4 Modifications

General modifications

...

15.4.4 R ...

(2) This table belongs to (1).

MCOB provisions	Description
...	
<i>MCOB 13.5.1R</i>	Dealing with a customer in arrears or with a sale shortfall on a regulated mortgage contract: statements of charges
...	

...

Sch 1 Record keeping requirements

...

Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				

<p><i>MCOB</i> 13.3.9R</p>	<p>Dealings with <i>customers</i> with a <i>payment shortfall</i> <u>who have or may have payment difficulties,</u> or with a <i>sale shortfall</i></p>	<p>Details of all dealings with the <i>customer</i> (including a recording of all telephone conversations <u>(including video calls)</u> which discuss any <i>arrears</i> or any amount subject to <i>payment shortfall</i> charges); information relating to any repayment plan; date of issue of any legal proceedings; arrangements made for sale of a <i>repossessed</i> property; and the basis of any tailored information where the loan is for a business purpose.</p>	<p>The date of dealing</p>	<p>Three years from the date on which the record is made</p>
--------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------	--------------------------------------------------------------

Annex D

Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application and purpose and guidance on financial difficulties

1.1 Application and purpose

...

The Principles for Businesses: a reminder

1.1.4 G The Principles for Businesses (*PRIN*) apply as a whole to *firms* with respect to *credit-related regulated activities* and *ancillary activities* in relation to *credit-related regulated activities* (see *PRIN* 3). In carrying on their activities, *firms* should pay particular attention to their obligations under:

...

(7) *Principle 10* (a *firm* must arrange adequate protection for clients' assets when it is responsible for them); ~~and~~

(8) *Principle 11* (a *firm* must deal with its regulators in an open and cooperative way, and must disclose to the *appropriate regulator* appropriately anything relating to the *firm* of which that regulator would reasonably expect notice); and

(9) *Principle 12* (a *firm* must act to deliver good outcomes for *retail customers*), including *PRIN* 2A.

...

5 Responsible lending

...

5.2A Creditworthiness assessment

...

Scope, extent and proportionality of assessment

...

5.2A.22 G The *firm* should also have regard to information of which it is aware at the time the *creditworthiness assessment* is carried out that may indicate that:

...

- (2) the *customer* is particularly vulnerable, for example because the *customer* has mental health difficulties or mental capacity limitations (see *CONC 2.10* and *CONC 7.2*).

...

5.5A Creditworthiness assessment: P2P agreements

...

Scope, extent and proportionality of assessment

...

- 5.5A.23 G The *firm* should also have regard to information of which it is aware at the time the *creditworthiness assessment* is carried out that may indicate that:

...

- (2) the *borrower* is particularly vulnerable, for example because the *borrower* has mental health difficulties or mental capacity limitations (see *CONC 2.10* and *CONC 7.2*).

...

5D Overdraft repeat use

5D.1 Purpose and application

Purpose

- 5D.1.1 R ...

- (2) ...

- (3) Relevant information held by the *firm* includes:

(a) information from the *customer's* personal current account; and

(b) information provided by the *customer*.

- (4) In (3)(a):

(a) the personal current account is the personal current account in respect of which the overdraft is provided;

(b) information from the *customer's* personal current account may include, but is not limited to:

(i) a significant reduction in income into the account;

(ii) new periodic payments being set up to repay new borrowing commitments, where the level of payments

may suggest that the *customer* is at risk of financial hardship.

5D.1.1A G A *customer* is likely to experience financial hardship if they are unable to pay *priority debts* or essential living expenses.

...

Who and what?

5D.1.3 R ...

(2) ...

(3) To the extent that a *rule* in this chapter does not already apply to *TP firms* as a result of GEN 2.2.26R, it applies to them so far as the *rule* would have applied were it in effect before *IP completion day*.

(4) To the extent that a *rule* in this chapter does not already apply to *Gibraltar-based firms* as a result of GEN 2.3.1R, it applies to them so far as the *rule* would have applied were it in effect before *IP completion day*.

...

5D.2 Obligation to identify and monitor repeat use of overdrafts

5D.2.1 R A *firm* must establish, implement and maintain clear and effective policies, procedures and systems to:

...

(2) identify as early as possible, by reference to an appropriate collection of factors that take account of any relevant information held by the *firm*, any *customers* in respect of whom there is a pattern of repeat use, and then sub-divide those *customers* into the following two categories:

...

...

5D.3 Interventions to be taken in the case of repeat users

...

5D.3.2 R ...

(2) The *firm* must promptly communicate with the *customer* in an appropriate medium (taking into account any preferences expressed by the *customer* about the medium of communication between the *firm* and the *customer*) highlighting the *customer's* pattern of

overdraft use and indicating that the *customer* should consider whether it is resulting or may result in high avoidable costs. The *firm* must encourage the *customer* to contact the *firm* to discuss their situation and explain that doing nothing could make things worse. ~~The *firm* must also provide contact details for not-for-profit debt advice bodies.~~

...

(5) ~~If appropriate, in the light of the information gathered under (4), the~~
The *firm* must:

(a) promptly identify and set out suitable options, in light of all relevant information held by the *firm* (including the information gathered under (4)), designed to help the *customer*:

(i) help the *customer* to reduce their overdraft use over a reasonable period of time; and

(ii) provide the support required to address their actual or potential financial difficulties,

in such a way that does not adversely affect the *customer's* financial situation; and

(b) explain to the *customer* that, if the *customer* fails to engage in the discussion or fails to take appropriate action to address the situation, one of the possible consequences is that the *firm* may need to consider the suspension or removal of the overdraft facility or a reduction in the credit limit.

...

(7) ~~Sub-paragraph (6) does~~ Sub-paragraphs (5)(b) and (6) do not apply if the suspension or removal of the overdraft facility or a reduction in the credit limit would cause financial hardship to the *customer*.

5D.3.3 G (1) ...

(1A) When a *firm* identifies that CONC 5D.3.2R(1)(a) and (b) apply to a *customer*, it should:

(a) promptly take the action specified in CONC 7.3.7AG(1)(a) to (b) (provision of information to the *customer*); and

(b) where appropriate to the *customer's* circumstances, follow the guidance set out in CONC 7.3.7AG(2) to (6) (further communication with the *customer*).

...

- (4) Options that a *firm* could identify for the purposes of *CONC* 5D.3.2R(5)(a) may include, when assessed as appropriate for the *customer*:
- ...
- (b) ~~providing contact details for *not-for-profit debt advice bodies* and other relevant bodies (for example, one providing advice on budgeting or money management), and encouraging the *customer* to contact one of them; [deleted]~~
- (c) ~~the provision by the *firm* to the *customer* of alternative *credit* on more favourable terms (for example a fixed-sum loan repayable by instalments), provided that, if this would be accompanied by suspension or removal of an existing *credit* facility, this would not cause financial hardship to the *customer*; [deleted]~~
- (d) ~~forbearance, such as reducing or waiving interest and other charges or (where applicable) allowing additional time to pay, where this does not unduly delay further help to the *customer* or permit further deterioration of the *customer's* financial position; or and other support, including doing one or more of the following:~~
- (i) ~~reducing or waiving interest and other charges or (where applicable) allowing additional time to pay, where this does not unduly delay further help to the *customer*, or permit further deterioration of the *customer's* financial position;~~
- (ii) ~~transferring the overdraft debt to an alternative *credit agreement* on more favourable terms (refinancing), provided that this would not cause financial hardship to the *customer*; or~~
- (iii) ~~agreeing staged reductions in the overdraft limit and balance (agreeing a repayment plan).~~
- ...
- ...
- (6) ...

5D.3.4 R Where a *firm* identifies a forbearance or other support option under *CONC* 5D3.3G(4)(d), the *firm* must take all reasonable steps to ensure that any measure agreed with the *customer* is sustainable.

- 5D.3.5 G (1) A measure is unlikely to be sustainable if it has the result that the customer cannot meet their *priority debts* and essential living expenses.
- (2) *Priority debts* and essential living expenses include, but are not limited to, payments for mortgage, rent, council tax, food and utility bills.
- 5D.3.6 R A firm must take reasonable steps to ensure that any measure remains appropriate.
- 5D.3.7 G What is reasonable in any given case will depend on the customer's circumstances and the nature of the measure provided, but may include reviewing the terms of the measure at appropriate intervals and responding as necessary. It will also involve reacting appropriately to any relevant information the firm is otherwise made aware of, such as correspondence from a debt adviser.
- 5D.3.8 R Where a firm assesses income and expenditure, it must do so in an objective manner.
- 5D.3.9 G When complying with CONC 5D.3.8R:
- (1) the assessment should be informed by sufficiently detailed information; and
- (2) a firm may have regard to the spending guidelines in the Standard Financial Statement or an equivalent tool.
- 5D.3.10 G A firm should have clear written policies setting out how and in what circumstances it conducts income and expenditure assessments.

Information provided to customers

- 5D.3.11 G When a firm identifies that CONC 5D.3.2R(1)(a) and (b) apply to a customer:
- (1) when engaging with customers, firms are reminded of their obligations to communicate with customers in accordance with Principle 12 and PRIN 2A, or Principle 7, as applicable;
- (2) a firm should make available to customers timely, clear and understandable information which:
- (a) takes into account the individual circumstances of the customer;
- (b) is sufficient to enable the customer to understand their financial position in relation to their debt, including how it is reported to the customer's credit file; and

(c) is sufficient to enable the *customer* to understand their options in relation to their debt, including the potential impact of any forbearance or other support on their overall balance and how it will be reported to the *customer's* credit file.

(3) A *firm* should consider the most appropriate way to engage and communicate with a *customer*, and support *customers* to engage through appropriate channels, changing the channel if necessary to enable the *customer* to engage with the *firm* effectively.

...

6 Post contractual requirements

...

6.7 Post contract: business practices

...

Business practices: credit cards and retail revolving credit

...

6.7.3B G ...

(2) Examples of appropriate action as referred to in *CONC* 6.7.3AR would include the *firm* doing one or more of the following, as may be relevant in the circumstances:

...

(b) accepting token payments for a reasonable period of time in order to allow a *customer* to recover from an unexpected income shock, from a *customer* who demonstrates that meeting the *customer's* existing debts would mean not being able to meet the *customer's* ~~priority debts~~ priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills);

...

...

...

Credit cards and retail revolving credit: persistent debt

...

6.7.36 G Where a *firm* suspends or cancels the *customer's* use of the credit card or *retail revolving credit* facility under *CONC* 6.7.35R the *firm* is not, unless

the *customer* responds to the *firm's* request under *CONC 6.7.31R(3)*, required to take further steps under *CONC 6.7.37R* to *CONC 6.7.39R*. *Firms* are however reminded of *CONC 6.7.3AR*, which requires *firms* to take appropriate action where there are signs of actual or possible financial difficulties, and *CONC 7.3.4R*, which requires *firms* to treat *customers* in or approaching arrears or in default ~~or arrears difficulties~~ with forbearance and due consideration.

...

6.7.40 G Compliance with any of the requirements in *CONC 6.7.27R* to *CONC 6.7.39R* does not remove or reduce the obligation on a *firm* to:

...

(2) treat *customers* in or approaching arrears or in default ~~or arrears difficulties~~ with forbearance and due consideration under *CONC 7.3.4R*,

...

...

7 Arrears, default and recovery (including repossessions)

7.1 Application

Who? What?

7.1.1 R ...

7.1.1A R (1) To the extent that a rule in this chapter does not already apply to TP firms as a result of GEN 2.2.26R, it applies to them so far as the rule would have applied were it in effect before IP completion day.

(2) To the extent that a rule in this chapter does not already apply to Gibraltar-based firms as a result of GEN 2.3.1R, it applies to them so far as the rule would have applied were it in effect before IP completion day.

...

7.2 **Clear, effective and appropriate arrears policies and procedures in respect of customers in or approaching arrears or in default**

Arrears and default policies

7.2.1 R A *firm* must establish and implement clear, effective and appropriate policies and procedures for:

(1) dealing with *customers* ~~whose accounts fall into arrears~~ who are in or approaching arrears or in default;

[Note: paragraph 7.2 of *ILG*]

- (2) the fair and appropriate treatment of *customers*, who the *firm* understands or reasonably suspects to be particularly vulnerable.

[Note: paragraphs 7.2 and 7.2 (box) of *ILG* and 2.2 (box) of *DCG*]

- 7.2.2 G *Customers* who have mental health difficulties or mental capacity limitations may fall into the category of particularly vulnerable *customers*.

[Note: paragraph 2.2 (box) of *DCG*]

- 7.2.2A G In developing policies and procedures in accordance with *CONC 7.2*, a *firm* should have regard to the *FCA*'s Guidance for firms on the fair treatment of vulnerable customers (FG21/1) (<https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf>).

- 7.2.3 G ...

- 7.2.4 R A *firm* must ensure that the effectiveness of any policies and procedures put in place further to *CONC 7.2.1R*, and the *firm*'s compliance with them, is reviewed at appropriate intervals.

- 7.2.5 G In order to comply with its obligations under *CONC 7.2*, a *firm* should ensure that the review required by *CONC 7.2.4R* includes consideration of the full extent of support provided to some *customers* under this chapter, and does not only assess individual *customer* interactions in isolation.

7.3 Treatment of customers in or approaching arrears or in default ~~or arrears~~ (including repossessions): lenders, owners and debt collectors

...

Dealing fairly with customers in or approaching arrears or in default

- 7.3.2 G When dealing with *customers* in or approaching arrears or in default ~~or in arrears difficulties~~, a *firm* should pay due regard to its obligations under *Principle 12* (Consumer Duty) and *PRIN 2A*, or *Principle 6* (Customers' interests) to treat its *customers* fairly, as applicable.

[Note: paragraphs 7.12 of *ILG* and 2.2 of *DCG*]

Forbearance and due consideration

- 7.3.2A R ~~*CONC 7.3.3G* to *CONC 7.3.6G* and *CONC 7.3.8G* do not apply to the extent that the *firm* follows:~~

- (1) ~~the guidance entitled *Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance*, the guidance entitled *Personal loans and coronavirus: Payment Deferral Guidance*, the guidance entitled *Motor finance agreements and coronavirus: Payment Deferral Guidance*, the guidance entitled *High-cost short-*~~

~~term credit and coronavirus: Payment Deferral Guidance or the guidance entitled Rent to own, buy now pay later and pawnbroking agreements and coronavirus: Payment Deferral Guidance; or~~

- (2) ~~the part of the guidance entitled Coronavirus and customers in temporary financial difficulty: updated guidance for insurance and premium finance firms under the heading Payment Deferrals~~

~~except, in each case, where the guidance indicates that the *firm* should act in accordance with those *rules* or *guidance*. [deleted]~~

7.3.3 G Where a *customer* under a *regulated credit agreement* fails to make an occasional payment when it becomes due, a *firm* should, in accordance with Principle 12 and PRIN 2A, or Principle 6, as applicable, allow for such unmade payments to be made within the original term of the agreement unless:

...

7.3.4 R A *firm* must treat *customers* in or approaching arrears or in default or in arrears difficulties with forbearance and due consideration.

[Note: paragraphs 7.3 and 7.4 of *ILG* and 2.2 of *DCG*]

7.3.4A G A *firm* should regard a *customer* as approaching arrears when the *customer* indicates to the *firm* that they are at risk of not meeting one or more repayments when they fall due.

7.3.4B R When determining appropriate forbearance and treating the *customer* with due consideration, a *firm* must take into account the individual circumstances of the *customer* of which the *firm* is or should be aware.

7.3.5 G Examples of treating a *customer* with forbearance and due consideration would include the *firm* doing one or more of the following, as may be ~~relevant~~ appropriate to the *customer* in the circumstances:

- (1) ~~considering~~ suspending, reducing, waiving or cancelling any further interest or charges (for example, when a *customer* provides evidence of financial difficulties and is unable to meet *repayments* as they fall due or is only able to make token *repayments*, where in either case the level of debt would continue to rise if interest and charges continue to be applied);

[Note: paragraph 7.4 (box) of *ILG*]

...

- (3) accepting no payments, reduced payments or token payments for a reasonable period of time in order to allow a *customer* to recover from an unexpected income shock, from a *customer* who demonstrates that meeting the *customer's* existing debts would mean not being able to meet the *customer's* priority debts priority debts or

other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills);

- (4) agreeing a repayment arrangement with the *customer* that allows the *customer* a reasonable period of time to repay the debt;
- (5) transferring the debt to an alternative *credit agreement* (refinancing) to help the *customer* reduce the debt over a reasonable period of time in such a way that does not adversely affect the *customer's* financial situation;
- (6) in relation to a *firm* that takes any article in *pawn* under a *regulated credit agreement*:
 - (a) where the redemption period has not ended, extending the redemption period; or
 - (b) where the redemption period has ended, refraining from giving the *customer* notice of intention to sell an item of *pawn* for a reasonable further period, or if notice of intention to sell has been given, suspending the sale for a reasonable further period.

- 7.3.5-A G A *firm* should only take the steps in CONC 7.3.5G(6) where it is in the *customer's* interests. In considering whether it is in the *customer's* interests, a *firm* should consider the realistic prospects of a *customer* recovering the item of *pawn* and the equity in the item.
- 7.3.5A G The examples in CONC 7.3.5G are not exhaustive.
- 7.3.5B R A *firm* must take all reasonable steps to ensure that any repayment arrangements agreed with *customers* (see CONC 7.3.5G(4)) are sustainable.
- 7.3.5C G (1) A repayment arrangement is unlikely to be sustainable if it has the result that the *customer* cannot meet their *priority debts* and essential living expenses.
 (2) *Priority debts* and essential living expenses include, but are not limited to, payments for mortgage, rent, council tax, food and utility bills.
- 7.3.5D R Where a *firm* assesses income and expenditure, it must do so in an objective manner.
- 7.3.5E G When complying with CONC 7.3.5DR:
 - (1) the assessment should be informed by sufficiently detailed information;
 - (2) a *firm* may have regard to the spending guidelines in the Standard Financial Statement or an equivalent tool; and

- (3) where the *customer* is borrowing for business purposes, a *firm* may take into account information relating to the *customer's* business, including its cash flow.
- 7.3.5F G A *firm* should have clear written policies setting out how and in what circumstances it conducts income and expenditure assessments.
- 7.3.5G R (1) This *rule* applies where:
- (a) a *firm* has put in place a repayment arrangement as a forbearance measure; and
- (b) the *customer* is meeting the terms of that arrangement.
- (2) The *firm* must reduce, waive or cancel any further interest or charges to the extent necessary to ensure that the level of debt under the arrangement does not rise for the period of that arrangement.
- 7.3.5H G The extent to which the *firm* is required to reduce, waive or cancel any further interest or charges may vary over the term of the arrangement. If a *customer's* circumstances change so that they can pay larger amounts under the repayment arrangement, the *firm* will not be required to waive as much interest, fees or charges to prevent the balance from escalating.
- 7.3.5I R A *firm* must take reasonable steps to ensure that any forbearance or due consideration provided remains appropriate.
- 7.3.5J G What is reasonable in any given case will depend on the *customer's* circumstances and the nature of the forbearance or due consideration provided, but may include reviews at appropriate intervals and responding as necessary. It will also involve reacting appropriately to any relevant information the *firm* is otherwise made aware of, such as correspondence from a debt adviser.
- ...
- 7.3.7A G (1) If a *customer* is in or approaching arrears or in default ~~or in arrears~~ ~~difficulties~~, the *firm* should, where appropriate:
- (a) inform the *customer* that free and impartial money guidance and debt advice is available from not-for-profit debt advice bodies and can be accessed through a range of delivery channels, including digital tools; and
- (aa) effectively communicate to the *customer* the potential benefits of accessing money guidance or free and impartial debt advice from not-for-profit debt advice bodies; and
- ...
- ...

- (3) ...
- (4) Where possible, a *firm* should make available to the *customer* a record of any income and expenditure assessment that the *firm* has made to enable the *customer* to share the record with other lenders and debt advice providers.
- (5) A *firm* should consider whether the *customer* would benefit from a specialist source of debt advice. For example, a self-employed *customer* may benefit from being made aware of business debt advice providers.
- (6) When considering how to provide appropriate help and support to *customers*, a *firm* may have regard to the Money and Pensions Service Strategic toolkit for creditors.

7.3.8 G An example of where a *firm* is likely to contravene *Principle 12* and *PRIN 2A*, or *Principle 6*, as applicable, and *CONC 7.3.4R* is where the *firm* does not allow for alternative, affordable payment amounts to repay the debt due in full, where the *customer* is in or approaching arrears or in default or arrears difficulties and the *customer* makes a reasonable proposal for repaying the debt or a *debt counsellor* or another person acting on the *customer's* behalf makes such a proposal.

[**Note:** paragraphs 7.16 of *ILG* and 3.7j of *DCG*]

...

7.3.10A G (1) An example of behaviour by or on behalf of a *firm* which is likely to contravene *CONC 7.3.10R* and *Principle 12* and *PRIN 2A*, or *Principle 6*, as applicable, is pressurising a *customer* to raise funds to repay a debt by arranging the receipt of a lump sum from the ~~customer's~~ *customer's pension scheme*.

...

...

7.3.13 G ...

Information provided to customers

7.3.13A G (1) When engaging with *customers* in or approaching arrears or in default, *firms* are reminded of their obligations to communicate with *customers* in accordance with *Principle 12* and *PRIN 2A*, or *Principle 7*, as applicable.

(2) A *firm* should make available to *customers* in or approaching arrears or in default, timely, clear and understandable information which:

- (a) takes into account the individual circumstances of the customer;
- (b) is sufficient to enable the customer to understand their financial position in relation to their debt, including how it is reported to the customer's credit file; and
- (c) is sufficient to enable the customer to understand their options in relation to their debt, including the potential impact of any forbearance or other support on their overall balance and how it will be reported to the customer's credit file.

(3) A firm should consider the most appropriate way to engage and communicate with a customer, and support customers to engage through appropriate channels, changing the channel if necessary to enable the customer to engage with the firm effectively.

...

Enforcement of debts

...

7.3.17 R A firm must not take steps to repossess a customer's home, goods or vehicles other than as a last resort, having explored all other possible options.

[Note: paragraphs 7.14 of *ILG* and 3.7t of *DCG*]

7.3.17A R A firm must not commence or continue repossession action where a forbearance arrangement is in place for as long as the customer is meeting the terms of that arrangement.

7.3.18 R A firm must not threaten to commence court action, including an application for a charging order or (in Scotland) an inhibition or an order for sale, in order to pressurise a customer in or approaching arrears or in default or arrears difficulties to pay more than they can reasonably afford.

[Note: paragraphs 7.14 of *ILG* and 3.7i (box) of *DCG*]

7.3.19 G ...

7.3.20 G (1) Where a customer has informed the firm that they intend to access debt help or money guidance, the firm should allow the customer reasonable time to access it before considering whether to commence repossession action.

(2) A firm may take action to repossess goods or vehicles as a last resort – for example, when the firm has made reasonable attempts to engage with the customer and the customer has not engaged.

(3) When considering whether repossession is an appropriate course of action, a firm should have regard to all aspects of the financial impact

on the customer, including asset depreciation if repossession is delayed.

- (4) A firm should inform the customer of the impact of the firm suspending any repossession actions, including on the value of goods or vehicles.
- (5) A firm taking or considering taking enforcement action should have regard to the FCA's Guidance for firms on the fair treatment of vulnerable customers (FG21/1) (<https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf>).

7.3.21 G Where it may be in the customer's interests to exercise their right to terminate a hire purchase agreement or conditional sale agreement under section 99 or section 100 of the CCA, a firm should make the customer aware of that right in good time, providing the information in a way that is clear, fair and not misleading to help the customer decide how to proceed.

7.3.22 G Where a customer intends to exercise their rights under section 99 or section 100 of the CCA, a firm should consider deferring legal liabilities associated with voluntary termination.

...

7.6 Exercise of continuous payment authority

Recovery and continuous payment authorities etc.

...

7.6.2A R ...

(3) A firm must not propose that a customer should grant a continuous payment authority, and must not exercise rights under such an authority, in respect of repayments under a regulated credit agreement or a P2P agreement, the terms of which do not already provide for a continuous payment authority, unless:

(a) the customer is in or approaching arrears or in default in respect of the agreement; and

...

7.6.2B G (1) Where a regulated credit agreement or a P2P agreement does not incorporate the terms of a continuous payment authority, CONC 7.6.2AR enables a continuous payment authority to be put in place (for example, for a repayment plan) without necessarily requiring an amendment to the agreement. But CONC 7.6.2AR applies only where the customer is in or approaching arrears or in default, and the creation of the continuous payment authority supports the fair

treatment of the *customer* and facilitates the exercise of forbearance (see *CONC 7.3.4R* and *CONC 7.3.5G*).

...

...

7.6.5 G A *firm* is likely to contravene *CONC 7.6.3R* if it:

...

- (2) requests a *payment service provider* to make a payment from the *customer's* payment account where it has reason to believe that there are insufficient funds in the account or that taking the payment would leave insufficient funds for ~~priority debts~~ *priority debts* or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills or utility bills); or

...

...

7.7 Application of interest and charges

...

7.7.5 R ...

7.7.6 G *When considering whether any costs may be reasonable, a firm may have regard to the frequency and nature of the events to which the costs relate and whether they arise directly from the customer being in default or arrears difficulties.*

...

7.10 Treatment of customers with mental capacity limitations

...

7.10.4 G *Firms* should note *CONC 7.2.1R* (and its accompanying *guidance*) which requires *firms* to establish and implement policies and procedures for the fair and appropriate treatment of particularly vulnerable *customers*.

...

App 1 Total charge for credit rules; and certain exemptions

...

App 1.2 Total charge for credit rules for other agreements

...

Assumptions for calculation

1.2.5 R For the purposes of calculating the *total charge for credit* and the *annual percentage rate of charge*:

...

(l) for the purposes of (k):

...

(ii) in cases where the capital must be repaid in full, and in cases where the capital may be taken in full by the lender exercising their rights under a *continuous payment authority*, in a single payment, within or after each payment period, successive drawdowns of the maximum amount and repayments of the entire capital by the *borrower* shall, where necessary, be assumed to occur over the period of one year;

...

...

...

