Mortgages and coronavirus: further updated Tailored Support Guidance for firms

Christians Against Poverty (CAP) welcomes the updated Tailored Support Guidance (TSG) for mortgage firms but urges careful consideration of the timing for removing the restrictions on repossessions, in light of the Government's new roadmap.

Lifting the expectation that firms should not enforce mortgage repossessions
From 1 April firms will no longer be expected not to enforce mortgage repossessions. Until now the financial services' response to coronavirus has been in step with the wider Government measures, and this date will mark a divergence of the two. In the Budget last week, the Job Retention Scheme, support for businesses and the Universal Credit uplift were all extended for at least six months. This is a reflection of the seriousness of the ongoing pandemic and the toll it will take on jobs and livelihoods for a longer period than anticipated.

It is noted that firms now have the capacity to assess the forbearance needed by customers on a case-by-case basis, and tailored support is always preferential. As such, CAP fully supports the TSG but remains concerned that now is not the right time to lift the expectation that firms should not enforce mortgage possessions.

The TSG provides firms with clear direction on how to meaningfully engage and support customers to seek positive outcomes and resolution of payment shortfalls where possible. However, considering the exceptional circumstances of the current moment, it will not fully safeguard customers in the most vulnerable circumstances from disproportionate action without an extension to the hold on mortgage repossessions. There will also be considerable burden placed on firms as they operationalise this guidance.

There is inherent risk that customers will experience detriment if the TSG is not adhered to and it is unclear what constitutes an 'unreasonable refusal to engage'. Before CAP's help, 82% of our clients said they were scared to open the post and 76% were scared to answer the phone. The continuing economic impacts of the pandemic and the circumstances arising from it are highly stressful and many people will not be able to engage with mortgage lenders as expected due to fear or being overwhelmed by other difficulties in their lives, such as bereavement, redundancy or relationship breakdown.

As such, it would be more appropriate to delay the recommencement of repossessions until public health restrictions have been lifted. After this point the TSG will then continue to be an important addition to guidance for mortgage firms, as the full financial implications of the pandemic emerge and more redundancies are anticipated.

The updated TSG
Alongside the Mortgage Conduct of Business (MCOB) rules, the TSG is a valuable contribution to the guidance for firms about how they should support customers during the exceptional circumstances arising out of the coronavirus pandemic. In particular, CAP praises the emphasis on flexibility, risk of harm within second charge mortgages and end-to-end quality assurance, as well as the clear expectation that customers should not be pressured to rush into long-term arrangements and contractual changes.

Christians Against Poverty | Jubilee Mill, North Street, Bradford, BD1 4EW | 01274 760720
| info@capuk.org | capuk.org Registered Charity No. 1097217 (England and Wales), SC038776 (Scotland)
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The TSG should remain in place until the FCA establishes a more consistent approach to forbearance, as recommended in the Woolard Review. The life events that have rendered the need for this level of support, such as bereavement, job loss and ill-health, all arise in normal circumstances; parts of the TSG would provide valuable additions to the normal regulatory framework for mortgage and consumer credit firms.

Below are specific comments and points for clarification raised from CAP's review of the TSG:

- **Paragraph 3.7**
  Customers accessing third-party debt advice and multi-product holders in arrears on another credit product should be added to the list of situations that should prompt a full assessment of appropriate forbearance included in the guidance.

  Where a full assessment of appropriate forbearance options must take place, firms should also be required to reassess whether the customer is vulnerable or potentially vulnerable and take appropriate action to support the customer.

- **Paragraph 3.11**
  It is unclear how repayments towards arrears that are a combination of payment shortfall and payment deferral will be paid down overtime. The differing implications for arrears of each type based on the TSG means that it could be important to know when the payment deferral arrears are considered to be fully repaid. There should be clarification about how repayments received should be allocated to the different components of the total arrears.

  It should be explicitly stated that where arrears from a deferral period cause a customer to breach the two-month requirement in the mortgage pre-action protocol, this will constitute a situation where 'the firm should not repossess without the customer's consent solely because of a deferral shortfall'.

  It is unclear what constitutes 'unreasonably refusing to engage with the firm' and therefore will be difficult to hold firms to account for adherence with this guidance when advocating for customers.

- **Paragraph 5.23**
  It should be clarified that it is not inappropriate to repeatedly extend a forbearance measure if it remains appropriate. Customers may need repeated short-term forbearance measures in this period because of the uncertainty of their situation or may fail to take agreed actions because of the changeability of their circumstances. There is a risk that firms will interpret the repeat use of one forbearance option as inappropriate and the guidance should be clear that firms should not decide a forbearance option is inappropriate purely based on past adherence to it.

- **Paragraph 5.24**
  Consumers will not only be concerned about other priority debts but also consumer credit debts. It would be beneficial to have explicit guidance stating how firms should respond to customer requests to prefer repayments to shorter-term and unsecured debts owed to creditors that may charge higher interest rates or be threatening litigation.

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Customers could be apprehensive about sharing information about wider indebtedness, concerned that this would result in less favourable treatment. It would be beneficial to encourage firms to ensure, through training and quality assurance, that adequate context and reassurance is given to the customer so that they are confident that providing this information will help firms support them to prioritise their payments, and that they will not be penalised as a result.

- **Paragraph 5.35**
  It should be an expectation that all firms publish details of the full range of forbearance measures that they may be able to offer customers on their website. This will be useful to advisors supporting customers, and also help increase customers' confidence to have conversations with lenders about the support they require.

- **Paragraph 8.6**
  Firms should inform customers about face-to-face advice services with the same prominence as telephone and digital channels.

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About Christians Against Poverty (CAP)

Christians Against Poverty (CAP) is a Christian charity tackling poverty in communities across the UK through free debt help and local community groups. CAP provides award-winning free debt help through local churches. Each church's CAP Debt Centre offers emotional and practical support, while our head office team in Bradford provides bespoke debt advice and a plan to help people get out of debt.

CAP also offers community groups dedicated to tackling poverty at the root. These are run through local churches, and cover topics such as interview skills, applying for a job and writing a CV, breaking free from dependencies or overcoming a habit, how to budget, making money go further and key life skills.

Requests for further information

This response has been written by Rachel Gregory, Social Policy Manager for Christians Against Poverty (CAP), with contributions from:

Gareth McNab, Director of External Affairs
Rachel Saxton, Head of Debt Operations
Katie Toghill, Debt Policy and Research Officer
James Boocock, Debt Policy and Research Manager
Jonathan Shaw, Creditor Relationship Manager
Kiri Saunders, Relationship Manager
Paul Walmsley, Energy Relationship Manager
Robyn Wright, External Affairs Manager

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