



Guidance for clients struggling to pay their mortgage due to the financial impact of Coronavirus

The Financial Conduct Authority (FCA) has recently made further changes to assist mortgage customers in financial difficulty. Whether you have already applied for a mortgage payment holiday and are coming to the end of the initial three month period, or are yet to request a payment holiday, these changes could affect you. The announcement requires mortgage lenders to continue to assist customers who have been financially impacted by COVID-19.

Payment Deferral

It's worth noting that the term 'payment holiday' should be referred to as a 'payment deferral', which is a more accurate description. Customers are required to repay the missed payments back to the lender. This is usually through an increase in the amount of the monthly premiums when payments resume, or by extending the term of the mortgage to cover the missed payments. This will be covered in more detail further on in this guidance.

Customers who have not yet had a payment deferral

If you have not yet applied for a payment deferral and are experiencing, or expect to experience, payment difficulties as a result of the Coronavirus, you can still request a payment deferral for up to three months. Depending on your financial situation, the payment deferral could be:

- A full payment deferral – when the lender permits no payments to be made during this period
- A partial payment deferral – when you make reduced payments to an amount that you feel you are currently able to afford
- An exception might occur where the mortgage lender and customer agree that a different method of providing relief would be in the customer's best interests.

As each customer's circumstances will differ, the lender will come to an arrangement that is suitable for you. The lender will provide you with adequate information to understand the implications of any support they offer, in order for you to be able to make an informed decision. This should include information or examples on the impact on your monthly payments and/or the term of your mortgage.

The FCA has insisted that payments missed as part of any payment deferral are not to be treated by mortgage lenders as payment shortfalls (arrears). They are to be regarded as resulting from exceptional circumstances outside of the customer's control and they are not to give rise to default/arrears charges.

Customers should be aware that, while a payment deferral due to Coronavirus will not be noted on credit files, prospective lenders could become aware of it through other means (e.g. simply asking applicants or reviewing bank statements) and that could affect access to credit in the future.

What happens at the end of a payment deferral period?

Customers coming to the end of a payment deferral period may continue to be in different financial circumstances. This could be where you are now able to resume full payments or you may still be struggling financially. The lender should contact you in good time before the end of a payment deferral period about resuming payments and will engage with you about your options when it expires.

Customers who are able to resume full payments

If you are in a position to be able to resume full payments at the end of the payment deferral, the options to repay any sums owed could include making a lump sum payment, extending the term to maintain your previous repayment levels (unless this would take you past retirement age), or making additional payments on top of your regular monthly payment to clear the sums due.

Customers who are unable to resume full payments

At the end of the three month payment deferral, if you are unable to resume full payments before the first monthly payment is due, the lender should offer a full payment deferral, or a partial payment deferral for a further three months. This is unless the lender agrees a different option with you that is in your best interests.

If at the end of a further payment deferral period, you are still experiencing, or expect to continue experiencing payment difficulties as a result of Coronavirus, the lender should work with you to resolve these difficulties in advance of payments being missed. Lenders are expected to consider other options, for example, extending the mortgage term, changing the mortgage type, or deferring payment of interest or capitalisation. The good news is that lenders are expected not to commence or continue repossession proceedings, regardless of the stage they may be at now and regardless of whether Coronavirus is a reason for any default.