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Charlotte Matthews
Financial Conduct Authority
12 Endeavour Square
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6th April 2020

Dear Charlotte,

I am writing in response to the Financial Conduct Authority's consultation on temporary financial relief for consumers impacted by coronavirus.

Which? commends the FCA in proposing measures to support those consumers financially affected. For many consumers, coronavirus will cause financial hardship, including loss of income in ways that they could not have anticipated. These proposed measures have the potential to provide vital support in these unprecedented circumstances.

The need for consistency

Our view is that the provision of these emergency products as well as the assessment of financial difficulty must be as consistent as possible across firms. This will ensure that there is no confusion among consumers as to whether they are eligible for support, particularly for those who hold products with multiple providers.

In the current proposal the FCA states that 'firms can choose to make the enquiries they consider necessary in order to judge if a payment deferral serves the consumers interests'. We are already seeing instances where institutions are challenging the self-certification of consumers in seeking mortgage holidays which is leading to frustration, confusion and worry. It may be especially difficult for consumers to present adequate documentation at this time given pressures on their own employers as well as the difference between whether the consumer is already in financial difficulty or where they 'may expect' to be. Given the current pressure on banking staff we also question whether challenging self-certification in this manner is the most efficient use of their limited resources.

Consumers can only be presented with clear communications, helping them to make the right decisions both in the short and long term, if the approach to these proposals is consistent across firms. This would also allow consumers to take greater advantage of online facilities, freeing up already stretched call centre resources for the really vulnerable.

Therefore, Which? urges the FCA to set out more prescriptive guidance to firms on how to assess customer suitability for payment deferral, ensuring a fairer and more consistent approach across providers.



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Interest rates and pricing

It is important that the proposals provide genuine relief to financial hardships caused by coronavirus. We wonder whether there is an opportunity to explore further the opportunity for greater consistency on interest rates and pricing for some of these measures.

While we agree that interest rates are commercial decisions for institutions the FCA needs to be mindful that at this point consumers are highly unlikely to benefit in ways usually derived from switching or shopping around. The normal competitive environment is not operating so seeking greater consistency on applications of fees and charges should be considered.

It is therefore worrying that the FCA has stated that it will allow firms to continue charging interest on loans and credit cards in the normal manner during the three month deferral period. At this time it is likely that some consumers will be pushed into greater financial difficulty, particularly where they are on high interest rates. Rather than alleviating financial hardship, this will increase hardship and defer it to a later date.

The three month period

It is not immediately clear to us precisely when the holiday period starts, whether it is from the proposed launch date of 9 April, or from the moment the consumer activates the request at any point during those three months to benefit from a 90 day holiday. Again, given the strain on resources at the moment **we urge greater clarity on this in order that only those in the most urgent need seek to directly contact their financial institutions.**

Exit strategy

It is important that the FCA ensures there is a clear exit strategy to these measures when the time comes that does not disproportionately disadvantage consumers. We are particularly mindful about how consumers will be eased off of their £500 interest free overdrafts after 3 months. It is vital that banks do not immediately default consumers back to their original arranged overdraft and rates at the end of any holiday period 3 months. Instead, the FCA should consider directing banks to ensure that consumers are appropriately "eased off" their interest free overdraft arrangements in a way that does not affect their credit score. One approach to this could mimic the approach of existing graduate student accounts, where instead of the overdraft being removed all at once, the interest free amount is reduced gradually over time. However, the FCA must investigate fully all options to find the one that is best for consumers. **The FCA must coordinate an exit strategy for loans, credit cards and overdrafts which is consistent across industry and does not cause unnecessary financial hardship to consumers.**

Fraud

We are unfortunately seeing a reported increase in instances of fraud at this time. By introducing as much as consistency as possible in the application of these emergency



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measures we will be able to communicate more clearly with consumers. This in turn will allow consumers to better protect themselves from fraud.

These changes will provide fraudsters with a mass communications opportunity to members of the general public. It is absolutely critical that the regulator plays its part, not only in how these measures are designed, but also in ensuring **the FCA itself provides clear, upfront, public messaging on both what consumers can expect from their financial service providers and how they can be vigilant.**

If you have any questions regarding this response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Paddy Greene".

Paddy Greene
Head of Money and Consumer Rights Policy
Which?