



2 Marylebone Road
London NW1 4DF
t 020 7770 7000
f 020 7770 7600
which.co.uk

Simon Osborn
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

20 April 2020

Dear Simon

I am writing in response to the FCA's latest consultation on temporary financial relief for consumers impacted by coronavirus. Which? commends the FCA for proposing further measures to support those consumers financially affected, and for the pace at which the FCA has acted across a range of issues in recent weeks.

For many consumers, coronavirus will cause financial hardship, including loss of income in ways that they could not have anticipated. The FCA's proposed measures have the potential to provide vital support in these unprecedented circumstances, plugging a much-needed gap in support for these types of credit.

Motor finance

Motor finance includes highly complex forms of credit, so there are considerable risks for customers arising from agreements being amended to facilitate a payment deferral. Which? therefore particularly welcomes the FCA's proposed guidance that firms should not modify or alter any aspect of the original agreement in a way that takes advantage of the customer's necessity, lack of experience, weaker bargaining position or otherwise leads to unfair outcomes.

For those customers who are reaching the end of their personal contract purchase agreements during the three-month deferral, we support the FCA's proposal for firms to work with customers struggling to keep their vehicle at the end of the agreement to find an appropriate solution. The FCA should clarify that firms should work with customers from the outset to work towards a plan to keep their vehicle, rather than only at the end of a payment deferral period. This will help to ensure that customers who need support but who are hoping to keep their vehicle feel able to take up a payment deferral. Firms should also make clear in any communications with customers that taking up a payment deferral will not mean that customers are unable to keep their vehicle.

High-cost short-term credit

Which? particularly welcomes that the FCA has proposed that firms should waive interest during payment deferral periods for high-cost short-term credit. This will save hard-pressed customers significant amounts at a critical time.

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However, the proposed one-month payment deferral period for high-cost short-term credit may not be sufficient for many customers. This is especially concerning, given that those who are eligible for the government's Coronavirus Job Retention Scheme will receive reduced incomes for up to three months, and many who are ineligible for such support are likely to have significantly reduced incomes for potentially longer periods. The FCA has rightly highlighted in its proposed guidance that it does not prevent firms from providing more favourable forms of assistance to the customer if they choose to do so, for example by extending the temporary measures for a period longer than one month. We would expect the FCA to look closely at how firms respond to this particular part of the guidance.

Rent-to-own and buy-now pay-later agreements

We especially welcome the FCA's proposal for firms to extend promotional periods for buy-now-pay-later agreements, so that customers may continue to benefit from no or reduced interest during a payment deferral. We also note that the FCA's existing price cap for rent-to-own agreements may also protect customers who have taken out agreements in the past year from accruing further interest.

Preventing fraud

Unfortunately, we are currently seeing an increase in reported instances of fraud. By introducing as much consistency as possible in the application of these emergency measures we will be able to communicate them more clearly to 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 that reads "Alastair Reed".

Alastair Reed
Principal Policy Adviser, Money
Which?