



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

Sean Cafferky & Ruby Adesuyi
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

28 July 2020

Dear Sean and Ruby

I am writing in response to the FCA's updated proposals on temporary financial relief for consumers with insurance products. Which? commends the FCA for extending these measures to support those consumers financially affected by coronavirus, and for the pace at which the FCA has acted across a range of issues in recent months.

For many consumers, coronavirus will cause financial hardship, including loss of income in ways that they could not have anticipated. Extending the availability of payment deferrals will help continue to provide vital support for customers of general insurance and pure protection contracts. We are pleased that many protections will continue to apply, which will ensure that consumers can continue to receive the assistance they need.

We believe these proposals are cohesive, clear and broadly consistent with those for other financial products, which will minimise the risk of confusion and unfairness among consumers who hold products with multiple providers. There are a few areas in which we would like to see clarification.

Access to relief

We note that the proposed guidance sets out that 'the decision as to the payment deferral period that is in a customer's interest can be made at a cohort rather than individual level'. Whilst this does feature in the current guidance, we note that this is not a consistent approach across other financial products, most notably mortgages, high-cost short-term credit and overdrafts where this does not feature. We want to make sure that consumers do not encounter difficulties in accessing support, therefore we are concerned about the inclusion of this provision as we would not want to see firms relying on this to automatically reject a group of consumers applying for relief.

Communicating with customers

We support the need for firms to make clear in their communications the different solutions available to customers and to encourage them to make contact if they are experiencing temporary financial difficulty as a result of coronavirus. We are concerned, however, that even now, many customers may not consider it possible to amend or cancel their insurance policies, or receive other forms of assistance, due to financial difficulties.



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Insurance providers should therefore proactively make the support they offer to customers prominent in their communications, including by writing to their customers rather than just relying on their websites and apps as the FCA has currently proposed. This would help to ensure that customers get in touch with their provider before they miss a payment, averting unnecessary harm and distress, which is particularly crucial given the expected rise in unemployment following the end of the Coronavirus Job Retention Scheme.

We note that guidance for other financial products includes the following provision: “Where a firm is required to send information to customers under the Consumer Credit Act 1974, such as a Notice of Sums in Arrears (NOSIA), and the firm, acting reasonably, considers this risks causing confusion for the customer due to the interaction with a payment deferral, the firm must accompany this with contextual information to reduce that risk. This information should be clear, fair and not misleading in accordance with Principle 7.”

We would like to see this applied to the guidance for insurance products (where there is a credit agreement in place) for consistency and to minimise confusion, as we have seen some instances across other financial products where consumers have received conflicting communications from firms, who despite having agreed a payment holiday have sent chasers for arrears (and subsequently reported a missed payment on the customer’s credit file).

Preventing fraud

Unfortunately, we are seeing fraud targeted around coronavirus interventions. 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 faithfully

A handwritten signature in black ink that reads "Aileen Lees".

Aileen Lees
Senior Policy Adviser, Money
Which?