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Consumer Credit Team
Financial Conduct Authority
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6 July 2020

Dear team

I am writing in response to the FCA's updated proposals on temporary financial relief for consumers of high-cost short-term credit; motor finance; and rent-to-own, buy-now pay-later and pawnbroking products. Which? commends the FCA for proposing further 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.

We are pleased that these proposals are cohesive, clear and broadly consistent with those for other credit products, which will minimise the risk of confusion and unfairness among consumers who hold products with multiple providers.

Whilst the proposals add several further protections for consumers, we are concerned that certain provisions could lead to consumers not accessing the support they need.

Except for high-cost short-term credit, the other two proposals state that firms can 'choose to make the enquiries they consider necessary in order to satisfy themselves that the customer is eligible for support' and that 'to ensure customers are offered quick support, firms can consider whether the offering of a payment deferral period is in customers' interests at a book or cohort level'.

We believe that firms should not be pre-screening consumers to assess which consumers are eligible for relief. This is because the data available to firms does not provide sufficient information on a consumer's current or future circumstances, e.g. where a furloughed person discovers they are being made redundant. This proposed broad-brush approach is markedly different from the FCA's guidance for mortgage lenders. It is also inconsistent with the FCA's final guidance for overdrafts and draft guidance high-cost short-term credit. Therefore we believe these provisions should be omitted from the guidance for motor finance, and rent-to-own, buy-now pay-later and pawnbroking. It is not clear why these products have been treated differently. It is crucial that consumers do not encounter difficulties in accessing support and that it is appropriate for their needs.

We are already seeing instances where institutions are challenging the self-certification of consumers in seeking payment 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 firms' staff we also question whether challenging self-certification in this manner is the most efficient use of their limited resources.

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We support the following additional guidance for firms offering rent-to-own, buy-now pay-later and pawnbroking products: “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 note that this clarification is not included in the guidance for any other financial product. However, we have seen some instances across other forms of credit where consumers have received conflicting communications from their lender, who despite having agreed a payment holiday has sent chasers for arrears. We therefore believe this clarification should be included across all consumer credit products for consistency and to minimise confusion.

Motor finance

Motor finance includes highly complex forms of credit, so there are considerable risks for consumers arising from agreements being amended to facilitate a payment deferral. Which? therefore particularly welcomes the support that has been outlined for consumers coming to an end of their relief period, including for those who are still experiencing temporary payment difficulties.

For those consumers who are reaching the end of their personal contract purchase agreements during the three-month deferral, we support the requirement for firms to work with consumers struggling to keep their vehicle at the end of the agreement to find an appropriate solution, and to keep the consumer fully informed during this process.

We would however like to see clarification that firms should work with consumers 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 consumers 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 consumers that taking up a payment deferral will not mean that consumers are unable to keep their vehicle.

Preventing fraud and clear communications

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.



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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?