MONEY ADVICE TRUST

BUSINESS DEBTLINE NATIONAL DEBTLINE WISER ADVISER

Consultation Response:

FCA Draft additional guidance for firms on consumer credit, overdrafts and coronavirus

Response by the Money Advice Trust

Date: September 2020

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2019, our National Debtline and Business Debtline advisers provided help to more than 199,400 people by phone and webchat, with 1.97 million visits to our advice websites.

In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2019 we delivered this free training to over 981 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org

Public disclosure

Please note that we consent to public disclosure of this response.

Executive summary

We welcome the opportunity to comment on the FCA's proposed additional guidance on consumer credit and overdrafts for firms beyond the end of existing Covid-19 measures in October. We have commented on both the consumer credit and overdrafts additional guidance in this single response.

Consumer credit additional guidance

We support the FCA's clear expectations, as outlined in this guidance, that firms should put in place tailored support for individual customers beyond October, when the July Covid-19 guidance comes to an end. It is the right approach to applying this support to both customers who have already had payment deferrals, and customers who are newly-impacted by the coronavirus as the outbreak unfolds.

We welcome the following elements of the additional consumer credit guidance, in particular:

- **A clear set of customer outcomes that the FCA expects firms to deliver**, which we agree are the right outcomes in respect of supporting customers impacted by Covid-19.
- **Targeted payment reductions and deferrals for customers facing short-term uncertainty** as a result of the outbreak - though this should be made more prominent in the guidance and we would welcome greater clarity for firms on when deferrals (as opposed to reductions) should be deployed as an option for these customers
- **The clear expectation that accrued interest should be waived** if someone is still in financial difficulty when deferrals come to an end. It will be important that firms meet this expectation to avoid the risks around escalating balances that we have flagged in our previous consultation responses to Covid-19 measures.
- **The FCA's specific treatment of refinancing in the guidance**. We welcome the strong emphasis on rewriting/rescheduling existing consumer credit agreements over a longer term, where customers can afford to meet a proportion of their contractual payments – we see this as an important post-Covid forbearance option that should be made more accessible to customers.

However, we are concerned by elements of the guidance that appear to reset practices to a 'business as usual' approach – in particular, on credit referencing – in light of an ongoing outbreak with economic impacts that have yet to be fully felt. We recommend:

- **Continued credit rating protections, beyond October, where the outbreak has caused only temporary financial difficulty.** We believe the overall aim should be to ensure that, wherever possible, short-term financial difficulty that arises specifically as a result of coronavirus should not have a long-term impact on individuals' financial situation. As the economic impact of Covid-19 is continuing to unfold, we do not agree that credit rating protections on Covid-specific forbearance should no longer be available beyond October. We also note the proposed approach results in inequity of treatment for customers depending on when they individually become impacted by the outbreak.

- **Targeted payment deferrals to give customers the time they need to seek debt advice, given Covid-19 demand and access challenges.** The guidance's strong focus on effective referrals to debt advice is welcome – however it is widely expected that demand for debt advice is set to surge, and not everyone who needs advice will be able to access it immediately. To protect customers from further difficulty caused by this capacity/supply mismatch, and to assist creditors in handling large contact volumes, we would suggested targeted payment deferrals are an appropriate and pragmatic solution.

We would also welcome clarity from the FCA on whether it expects firms to deal with the 'volume challenge' they face in contacting customers at the end of a deferral period through the use of digital tools, only (as implied in the guidance), or whether any **prioritisation/triage** of customers will be expected or permitted. If any prioritisation/triage will be permitted (as per the FCA's earlier Call for Input) then specific guidance will be needed to ensure that this is conducted appropriately.

Overdrafts additional guidance

The temporary £500 interest-free overdraft amounts introduced at the immediate onset of Covid-19 were a welcome and appropriate way of providing customers with a safety net. It is important that the manner in which this support is withdrawn does not inadvertently cause financial difficulty – and in our view the proposed additional guidance broadly achieves this aim.

We welcome, in particular, the clear expectation that firms should not reduce or suspend overdraft facilities where this would cause financial difficulty – and the more specific list of forbearance options outlined in the guidance, including reducing or waiving interest, refinancing or agreeing a repayment plan.

While we welcome continued interest-free or reduced cost overdraft facilities where firms encounter operational difficulties in dealing with the 'volume challenge', this support should be applied automatically, rather than 'on request' from the customer.

Comments – consumer credit additional guidance

We welcome the fact that the FCA has set out **a clear set of customer outcomes** that firms will be expected to deliver, at 1.7. We agree that these are the right outcomes in the context of Covid-19. We would suggest that the following outcome on giving customers time to consider their options could be strengthened by laying down an expectation that firms will ensure the customer's debt position does not worsen as a result of delays in accessing debt advice.

- *customers are allowed time to consider their options and, if necessary, seek debt advice before making a decision on the support they take*

Debt advice demand is widely expected to increase significantly and the reality is that not everyone who needs debt advice in the wake of Covid-19 will be able to access it straight away. As we argued in our response to the FCA's Call for Input earlier in the summer, firms should be required to offer **targeted payment deferrals to customers to give them time to seek debt advice**. This is an appropriate and pragmatic approach, and could be accompanied by strengthening the above expected outcome, by making it clear that firms must take steps to ensure the customer's debt position will not worsen while they seek the debt advice they need.

Section 2: Consumer credit and coronavirus

We welcome the fact that this guidance applies to both customers who have already received one or two payment deferrals, and customers who are newly-impacted by the impact of the developing Coronavirus outbreak.

Use of digital tools

We note that this section has a strong focus on the use of digital tools to automate processes, and offer customers forbearance options – and presume that this intended to help firms to deal with large volumes of outbound contact that will be required to comply with this guidance.

> *"2.11 Neither this guidance nor CONC impose prescriptive requirements about how a firm collects information about a customer's individual financial circumstances or how it ensures any forbearance option proposed is appropriate for that customer given their individual circumstances. Therefore, firms could use automation or digital tools to:*
> *• automate processes including asking borrowers who cannot resume full payments to provide information on their circumstances, including income and expenditure*
> *• offer a customer a forbearance option the firm has identified as appropriate to the customer's individual circumstances, and get the customer's agreement to it*
> *• offer a customer a range of options that the firm has identified as appropriate to the customer's individual circumstances for the customer to choose from"*

We agree that digital tools may – to some extent – be an appropriate way of dealing with this 'volume challenge' in that digital interaction will be appropriate for some customers. However, we are concerned that the near-exclusive emphasis on the use of digital tools in this section could see firms under-resourcing non-digital approaches that will be appropriate for many (or perhaps most).

We also raised this concern in our response to the mortgage guidance. Borrowers may be in vulnerable circumstances, which could mean that they are unable to provide comprehensive information on their circumstances via a digital method. It is vital that firms work with individual customers to make sure they have filled in accurate and complete budgets – and offer a variety of channels in which customers can do so.

We note that the guidance states

> *2.13 "Where a firm offers forbearance through a digital channel, it should ensure that customers can ask for support through a non-digital channel if they want it."*

However, this is not a sufficiently robust protection for people who may need more individual support than an online service unless it is highlighted in various forms of communication that this is the case.

Furthermore, if a firm uses automation to offer a customer a forbearance option that the firm has "*identified as appropriate"* for that individual, this could easily be on the basis of incomplete or inadequate information. We would question how the customer will know, with confidence, if this is suitable for them, or how they will be able to work out what to say in response. They may not be aware of other options that have been discounted by the lender. As a result, they may feel compelled to accept the option given to them. We believe there should be further checks and balances in place so that firms do not offer options that are not suitable in these conditions – and more complete information given to borrowers who do access forbearance through digital tools.

Other means of prioritisation and triage

The FCA's Call for Input earlier in the summer asked several questions around prioritisation and triage as a means of helping firms to deal with the 'volume problem' – however the emphasis on digital approaches (as described above) is the only aspect of the guidance, as far as we can see, designed to address this.

We would welcome clarity as to whether the FCA intends firms to deal with the volume problem by the use of digital tools, only, or whether it will still expect (or permit) firms to prioritise and triage customers when planning their outbound contact strategies for the end of payment deferrals.

In the absence of specific guidance on prioritisation and triage, we are concerned that some customers who need support as a priority will be deprioritised. For example, the FCA mooted 'streamlined support' for non-prioritised customers in its Call for Input, which we would consider should include targeted further payment deferrals where firms are not able to contact the customer for purely operational reasons. We would welcome clarity on the FCA's expectations on this issue.

Section 3: Dealing with customers at the end of a payment deferral period

Persistent debt rules

The guidance states that the persistent debt credit card rules were suspended for the deferral period but that they will start to apply at the end of the deferral period. It is reassuring that the draft guidance at 3.5 states:

> *"At the end of the deferral period when the persistent debt provisions start to reapply, firms are reminded that where they take steps to treat a customer in persistent debt in a manner that is equivalent or more favourable to the forbearance steps under CONC 6.7.37R"*

We are concerned that the rules around payment deferrals, and how these interact with the persistent debt rules on credit cards have become very complex. We would welcome the FCA undertaking separate activity to clarify how the persistent credit card debt rules will work in the future as this has become very opaque. We suspect it will not be at all clear to either firms or consumers.

We note that under point 3.7, the draft guidance sets out the circumstances under which customers should not be considered to be in arrears at the end of the deferral period.

Therefore, consumers who are not in these specific groups will be treated as being in arrears under CONC 7. It seems to us that the requirement on firms under 3.8 to take certain actions to comply with this guidance is unfortunately likely to result in reporting errors to both consumers and to credit reference agencies.

- *"[Firms should] clearly communicate, as part of their engagement with the customer prior to the end of the payment deferral, including in writing, that*
  - *when they receive future communications (including statutory notices) concerning any arrears on their account, these will include the deferred amounts but*
  - *no worsening status has been reported to their credit file in respect of the deferred amounts or the payment deferral period(s)*
- *keep a record of the amount ('the deferral arrears') to ensure the firm can identify the unique circumstances in which they arose"*

Hire purchase firms

As far as we can see the protections in place to stop hire purchase firms from repossessing goods and vehicles will end on 31st October. We are very concerned that the guidance for protections set out in relation to repossession of goods in point 3.8 does not go far enough.

- *"in considering whether and when to take steps to default or terminate the agreement (including repossession of any goods or vehicles), unless the customer is unreasonably refusing to engage with the firm, treat customers fairly and take into account that:*

    - *the arrears arose by agreement with the firm and in exceptional circumstances*
    - *the customer was not expected to address the arrears during the payment deferral period and so may have had less time to address them*
- *not start possession action until all forbearance options have been actively considered and evidenced."*

As we have said before in responses to the FCA draft guidance, the FCA needs to put in place close supervision mechanisms for such firms to ensure that these options are utilised. As it stands, if firms fail to use additional forbearance options, there is little clear compulsion on them to do so or sanction for failure to do so.

Refinancing

We welcome the inclusion of specific guidance on refinancing in the context of Covid-19 – and hope that the strong emphasis the guidance places on replacing, varying or supplementing existing consumer credit agreements, where this is an appropriate solution for the customer, will mean that more firms deploy this approach.

We view rewriting/rescheduling agreements as an important post-Covid forbearance option that should be made more accessible to customers – as a means of minimising credit rating impact of temporary financial difficulty caused by Covid-19 – and this guidance is helpful to that aim.

We note and welcome the fact that the section on refinancing is clear that commercial interests should not be a factor in firms' decision making.

> *3.14. In determining what is in customers' interests, a firm should not have regard to its own commercial interests, including the fact that the firm may be expected to waive certain interest under the July guidance, or prevent escalating balances under section 5 of this guidance if the customer is given forbearance. Firms should also consider that, compared to forbearance under this guidance, refinancing can lead to higher costs for consumers, which may mean it is not in the customer's best interest.*

However, we would welcome a stronger approach on the costs issue (at 3.14) for Covid-impacted customers – with a clear expectation on firms to ensure that total costs over the length of a rewritten agreement will not be higher than in the original agreement.

As we noted in our response to the Call for Input, for multiple consumer credit debts, there may be potential for this to be achieved in a co-ordinated, consistent and structured way through a scheme that could be facilitated by debt advice agencies, and we continue to explore how this might be achieved.

Section 4: CRA reporting

Resumption of normal CRA reporting

We are pleased to see that the FCA confirm its clear expectation that borrowers will not have their credit records affected by payment deferrals already taken out during the outbreak.

> *"4.3 We expect firms to resume normal reporting from the payment status that was 'frozen' at the start of the payment deferral period to preserve the benefit of having no worsening status reported during payment deferral periods."*

However, we are disappointed to see the FCA is allowing the resumption of normal credit reference agency reporting from the end of October.

> *"4.6 For all customers, we expect firms to report any further forms of support, whether or not it follows after a payment deferral, to credit files in the usual way. This includes, for example, where it agrees to the customer making no or reduced payments for a further period, without changing the sums due under the contract."*

Whilst we appreciate that protection from normal credit reporting cannot continue indefinitely for everyone, we believe this specific protection is needed to ensure that, wherever possible, short-term financial difficulty that arises as a result of coronavirus does not have a long-term impact on individuals' financial situation. As we said in our previous response on ongoing support for consumers affected by coronavirus, we do not agree that normal credit reference agency reporting should resume while the economic impact of Covid-19 is continuing to unfold.

Where consumers enter further payment deferrals, or other forbearance, on Covid-impacted debts, there should be some level of protection for their credit rating in circumstances where there is a reasonable expectation that their financial situation will is temporary – or where there remains uncertainty over their financial situation. This level of protection might vary according to the forbearance that is in place.

We believe the overall aim should be to ensure that, wherever possible, short-term financial difficulty that arises specifically as a result of coronavirus should not have a long-term impact on individuals' financial situation.

Inequity of treatment

We further note that there is inequity at play, given the fact that other elements of the guidance ensure (welcome) support for customers who are newly-impacted by Covid-19 (including payment reductions or deferrals in situations of uncertainty). While Covid-specific forbearance and support will be available to these newly-impacted customers, the impact of accepting this support on their credit rating will not be protected as it was for customers who were impacted between March and October. It seems an unfairness that the credit rating treatment will have varied so significantly depending solely on when individual customers feel the economic impact of Covid-19 (for example, whether they lost their job in October or November).

Section 5: Delivering effective forbearance in the current environment

Recognition of short-term uncertainty

We welcome the FCA's clear recognition that many consumers face uncertainty about their circumstances due to the pandemic.

> *"5.2 The pandemic and national and local responses will continue to evolve. Many customers will continue to face uncertainty about their short and medium-term employment and income prospects, and may also experience temporary interruptions in income. Customers' circumstances may change quickly, and in a way that might cause or increase vulnerabilities."*

We believe that point 5.3 is a crucial section in the guidance which seems to us to go some way towards replicating the intentions behind the initial Covid-19 related protections that the FCA put in place originally.

> *"5.3 We expect firms to be flexible and employ a full range of shorter and longer-term forbearance options to support their customers and minimise avoidable financial distress, stress and anxiety experienced by customers in financial difficulty. This may include short term arrangements under which the firm permits the customer to make no or reduced payments for a specified period."*

However, we are concerned that this element of the guidance is insufficiently specific, and leaves it open to firms to interpret their ability to be flexible and what forbearance options they offer in practice. This approach leaves it too open to different lenders adopting different approaches, which means that it will be unclear to consumers what to expect and a very real danger of a lack of consistency across lenders. It is unclear if firms will be required to be proactive in offering this type of flexibility or whether consumers will know they can ask their lender to take this approach.

We would like to see a more prescriptive approach from the FCA for firms, and enhanced supervision to ensure firms are interpreting the guidance correctly and treating their customers fairly. As it stands, if firms fail to use additional forbearance options, there is little clear compulsion on them to do so or sanction for failure to do so.

We welcome the list of forbearance options set out in point 5.11 of the guidance. We also welcome the statement that this is not an exhaustive list and that firms should offer short-term arrangements where consumers are unable to commit to a longer-term arrangement to pay due to the uncertainty of their financial circumstances.

Payment reductions and deferrals for customers facing uncertainty

We particularly welcome the FCA's inclusion, at 5.16, of payment reductions and deferrals for customers facing continued short-term uncertainty as a result of the impact of Covid-19.

> *5.16. This uncertainty may make it harder for a customer to commit to an arrangement to pay, and may mean it is appropriate to delay the use of long term solutions until a clearer picture emerges. This includes customers who have benefitted from payment deferrals under the July guidance. Where this is the case, firms should offer short term arrangements under which the firm permits the customer to make no or reduced payments for a specified period to give them more time to get back on track. Firms should not pressurise a customer to commit to a longer-term arrangement if the customer's circumstances may materially change in the short-term.*

This has the same effect as the targeted approach to further payment deferrals that we called for in our response to the Call for Input earlier in the summer, and is a welcome recognition of the fact that the economic impact of Covid-19 is continuing to unfold.

However, we note that this is not prominent in the guidance and would welcome a revision to give this expectation more emphasis, so that firms are clear that the FCA expects payment reductions and deferrals to be considered for customers in these circumstances. We would also welcome greater clarity for firms on when deferrals (as opposed to reductions) should be deployed as an option.

Offers of payment

We are concerned that there is a potential for consumer harm in the guidance at point 5.25. Whilst we want to support self-help for consumers, firms should at least be assured that the offer being made is affordable and based on a budget that the consumer has prepared and/or debt advice the consumer has received.

> *"5.25 Where a customer, without prompting or pressure from the firm, makes a proposal to the firm, the firm may put this in place without undertaking an income and expenditure assessment. In order to ensure that it is sustainable firms should monitor the arrangement for signs that it may not be sustainable (e.g. missed payments) and, if detected, review the arrangements with the customer."*

Suspension of interest and charges

We are pleased to see a specific section on preventing escalating balances which specifically requires firms to suspend interest and charges.

> *"5.35 When putting in place appropriate forbearance arrangements, we therefore expect that firms will, as a minimum, suspend, reduce, waive or cancel any further interest, fees or charges (including, for the avoidance of doubt, those charges firms are permitted to impose under CONC 7.7.5R) to the extent necessary to ensure that, taking account of what the customer has agreed to repay, the level of debt under the agreement does not rise for the period of that forbearance."*

We would like to see how this connects to point 3.11 of the guidance where the FCA reiterates its expectation from the July guidance that interest accrued over the period of the payment deferral should be waived if someone is still in financial difficulty when it ends. We would expect firms to act to waive both accrued interest and ongoing interest in these circumstances.

Vulnerable customers

We welcome the section on supporting vulnerable customers and in particular the recognition that people in financial difficulties may well be vulnerable.

> *"5.51 Many consumers experiencing financial difficulty, including those benefitting from, and exiting, temporary payment deferrals will display characteristics of vulnerability, particularly low financial resilience. Firms should take particular care to ensure they respond to the needs of vulnerable customers at the greatest risk of harm."*

We would also reiterate the point made earlier in our response about the need to ensure there are multiple channels for consumers to get in contact with a firm to provide detail of their circumstances and to discuss their options – an over-reliance on solely digital channels could create barriers for vulnerable consumers.

We would urge the FCA to monitor whether firms actively inform customers of their rights to voluntarily terminate hire purchase agreements under the Consumer Credit Act. In the past, we have found that clients are not always being made fully aware of their rights or the implications of voluntary termination versus lenders terminating their agreements.
Note: There is a potential issue with the wording in this section at point 5.26. We would expect this wording to read *"where a customer proposes…."* rather than a firm.

Section 6: Repossession (hire purchase, conditional sale and consumer hire)

We welcome the fact the FCA has made it clear to lenders under 6.2 that *"possession action should not be started until all forbearance options have been considered and evidenced"*.

We are disappointed, however, that the FCA has not issued stronger guidance preventing firms from repossession of vehicles and domestic goods for a longer period. On public health grounds we would not support repossession of vehicles and entering property to repossess goods, during the ongoing outbreak – firms should be required to refrain from repossession action during local or national lockdowns.

Section 7: Debt help and money guidance

We are pleased that the FCA has included debt help as a specific section in the guidance. This section sets out the FCA expectations on how firms should be proactive about identifying appropriate referrals clearly, and is a welcome reminder to firms of the importance of ensuring effective debt advice referral mechanisms in the context of the Covid-19 outbreak.

As we have already noted earlier in this response, however, there needs to be a clear recognition that ensuring timely customer access to debt advice will be a challenge in the wake of Covid-19 – and where there are delays in access debt advice, firms should be expected to offer targeted payment deferrals to give customers time to receive the debt advice they need. Some firms may, in effect, do this, but the regulator should set down a clear expectation for all firms.

We also welcome the recognition that small businesses will be in need of specialist debt advice, when the guidance says firms should consider *"whether the customer would benefit from a specialist source of debt advice (e.g. where the customer is self-employed, making them aware of business debt advice providers)".*

Comments – overdrafts additional guidance

We welcome the recognition in the draft guidance at point 1.9 that current account overdrafts are both a quick way of accessing emergency funding but also not the best way to manage longer-term financial difficulties.

> *"We recognise that, for many customers, current account overdraft facilities are likely to be the easiest and quickest way to access emergency funds to cover a temporary shortfall in income and to meet essential expenditure. But we also recognise that overdraft facilities are not an appropriate means to manage long-term financial difficulty and we are seeking to guard against future over-indebtedness."*

The temporary £500 interest-free overdrafts introduced at the immediate onset of Covid-19 were a welcome and appropriate way of providing customers with a safety net. It is important that the manner in which this support is withdrawn does not inadvertently cause financial difficulty – and in our view the proposed additional guidance broadly achieves this aim.

Section 2: Overdrafts and coronavirus

We particularly welcome point 2.7 in the guidance, which prevents firms suspending or removing the overdraft facility where this would cause financial hardship.

> *"2.7. A firm should not reduce the credit limit or suspend or remove the overdraft facility of a customer receiving help under this guidance if that reduction, suspension or removal would cause financial hardship to the customer."*

However, we note that the guidance is silent on the mechanism the firm should use to establish whether their action will cause financial hardship and would recommend the guidance goes further on this point.

Section 3: Supporting customers who have had help with the cost of overdraft borrowing under our July guidance

It is vital that firms proactively contact customers who have received help with their overdraft under the July guidance. We are pleased to see that the guidance sets out, under point 3.2, the expectation on firms to take “*reasonable steps*”, before their support expires, to contact their customer to discuss the availability of further support.

We agree that in the current exceptional circumstances, firms should be required to be much more proactive in attempts to contact their customers who do not respond to requests for contact, as many people are likely to have additional financial pressures and be in vulnerable circumstances.

Section 4: Customers impacted by coronavirus

We support the FCA’s recognition that firms may not yet be in position to fully support customers on an individual basis. It is helpful for firms to offer temporary interest free overdraft facilities in these circumstances.

> *4.3 “Where firms experience, or expect to experience, operational difficulties in considering the individual circumstances of all customers who request support, they should offer temporary interest free, or reduced cost, overdraft facilities on request to these customers”.*

However, we do not see why this should be left for individual customers to request this specific form of assistance – in recognition of the fact these customers have already asked for help, firms should be expected to proactively offered temporary interest free or reduced cost facilities (rather than offering this ‘on request’).

Section 5: Delivering good forbearance in the current environment

As we have said in our response to the consumer credit guidance above, the guidance is not specific enough relating to forbearance, as it leaves it open to firms to interpret their ability to be flexible and what forbearance options they offer in practice. It leaves it too open to different lenders adopting different approaches, which means that it will be unclear to consumers what to expect and a very real danger of a lack of consistency across lenders. It is unclear if firms will be required to be proactive in offering this type of flexibility or whether consumers will know they can ask their lender to take this approach.

We would like to see a more prescriptive approach from the FCA for firms, and enhanced supervision to ensure firms are interpreting the guidance correctly and treating their customers fairly. As it stands, if firms fail to use additional forbearance options, there is little clear compulsion on them to do so or sanction for failure to do so.

However, we welcome the list of forbearance options set out in point 5.6 of the guidance, which appears to be rather more prescriptive than the consumer credit guidance.

> *“5.6. When providing support to customers experiencing difficulties with their finances as a result of circumstances related to coronavirus under this guidance, or in accordance with the repeat use rules in CONC 5D, firms should provide forbearance that is appropriate to the individual circumstances of the customer, including doing one or more of the following:*
>
> > *• reducing or waiving interest*
> > *• transferring the overdraft debt to an alternative credit product on more favourable terms ('refinancing')*
> > *• agreeing a programme of staged reductions in the overdraft limit (and balance), ('agreeing a repayment plan')”*

It seems possible that the FCA intends that firms must offer one of these options by use of the phrase *“including doing one or more of the following.”* If this is the case, the guidance needs to be made clearer.

It is helpful for the guidance to clearly tell firms not to offer a single solution or always pursue one forbearance option.

> *“5.10. Firms should not take a 'one size fits all' approach and a firm offering a single solution to all customers is unlikely be consistent with this guidance, or CONC 5D. Firms should not repeatedly pursue one forbearance option, when it is more appropriate to consider alternative options.”*

The recognition in the guidance that reducing or waiving interest will be appropriate in many cases is very welcome. The guidance also helpfully sets out circumstances where this is likely to be the case.

> *“5.12. Reducing or waiving interest will be an appropriate solution for many customers.”*

However, we would still like to see a clearer and simpler message as we suggested in our response to the FCA Call for Input earlier in the summer. Where Covid-impacted customers have made use of the £500 interest-free overdraft introduced under temporary measures, interest should continue to be frozen on the £500 balance for a further set period of time, with firms providing support on how to pay this off over time.

We do not feel that returning to such high overdraft interest levels will assist people who will have to bear a much higher cost of borrowing at a time when they continue to face the challenge of resolve financial difficulties resulting from Coronavirus.

Refinancing of overdrafts may be an appropriate option for some customers, as long the new monthly payments are affordable, and take into account both priority bills and other credit commitments. It may be easier for people to budget to make set payments each month than reducing their overdraft via the repayment plan option below.

"5.21. A repayment plan involves agreeing a programme of staged reductions in the overdraft limit (and balance). It can also support the customer to reduce their overdraft borrowing over a period of time. This will often be in the customer's best interest, as overdraft facilities are not an appropriate means to manage long-term financial difficulty."

We would suggest that the use of repayment plans as described in point 5.21, through staged reductions in the overdraft limit, can be very hard to achieve. Many consumers will find it a hard task to reduce their budget each month to match the new lower limit.

Section 6: Debt help and money guidance

As with the consumer credit guidance, we are pleased to see that the FCA has included debt help as a specific section in the guidance. This section sets out the FCA expectations on how firms should be proactive about identifying appropriate referrals clearly.

We would make the same points in relation to this section as we have in our comments above in relation to the same section in the consumer credit guidance.

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