Consultation Response:

FCA Mortgage Rule Review

Response by the Money Advice Trust

Date: July 2026

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991. Our mission is to help prevent financial difficulty and remove problem debt from people's lives.

In 2025, our National Debtline and Business Debtline advisers provided help to 189,550 people by phone and our digital advice tool, and 53,410 people by webchat, with 2.1 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 2025 we delivered this free training to 646 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.

Introductory comment

We welcome some of these proposals for changes in the FCA mortgage lending rules.

We appreciate that it is a fine line between having sufficient information to assess affordability and being overly cautious in lending decisions. However, we are concerned that changing the existing mortgage affordability rules could lead to a rise in arrears and repossessions unless there are clear protections in place for consumers.

- If the FCA chooses to take that route, then they will need to equally ensure that they have put adequate forbearance and protections in place, to support mortgage holders who fall into difficulty.
- If any amendments are made to the rules regarding interest only mortgages, then there should also be amendments to ensure that where these expire without a repayment vehicle, lenders **should not be able to call in the mortgage and repossess automatically**.
- New rules should require that alternatives should be considered, and put in place by lenders, to ensure that there are good outcomes for borrowers in this situation.

Responses to individual questions

Question 1: Do you have any comments on our equality and diversity considerations?

We do not have any comments on the equality and diversity considerations.

Question 2: Do you agree with our proposal to add follow-on mortgage products and conversion to repayment as examples of credible repayment strategies?

It seems reasonable to add both follow-on mortgage products and conversion from interest only to repayment mortgages as examples of credible repayment strategies. However, we are concerned that there should be no return to the previous position where interest-only mortgages were freely available with few guardrails in place to protect consumers. We would hope that the FCA proposals do not lead to a diminishing of consumer protections in this area. There should be no potential for consumers being left in the dark as to the nature of their mortgage product or finding out years later that their mortgage was interest only with no repayment vehicle in place.

Clearly, interest-only mortgages are a riskier product. After the collapse of the interest-only mortgage lending era, National Debtline saw a huge rise in requests for help and advice from clients who had interest-only mortgages and no repayment vehicle. In many cases, older borrowers reached the end of the mortgage term and were threatened with repossession by their lender despite being up to date with their payments.

If any amendments are made to the rules regarding interest only mortgages, then there should also be amendments to ensure that where these expire without a repayment vehicle in place, lenders should not be able to call in the mortgage and repossess automatically.

New rules should require that alternatives must be considered, and put in place by lenders, to ensure that there are good outcomes for borrowers in this situation. For example, it should be possible to move to a different type of mortgage, or in the worst-case scenario, just continuing on with the interest payments on a long-term forbearance arrangement. Lenders should not be allowed to repossess in such circumstances.

Question 3: Do you agree with our proposal to allow a lender to make a reasonable assessment as to whether the borrower has a clearly understood credible repayment strategy following a tailored interactive dialogue with the borrower?

It is vital that lenders remain responsible for establishing whether there is a credible repayment strategy in place. The concept of a personal tailored approach with individual borrowers sounds reasonable.

We are concerned that it is a tricky balance to establish whether a repayment strategy is credible and realistic or merely a hope for the future. We are all aware of the propensity for future cognitive bias and its effect on individual expectations that “something will turn up”.

We agree that lenders should be required to keep a record of the evidence of both the proposed repayment strategy and the tailored interactive dialogue that takes place between the lender and the borrower.

We would urge the FCA to monitor any policy changes in this area closely to ensure that consumer detriment does not creep in by relaxing these lending rules.

Question 4: Do you agree with our proposals to introduce thresholds for when the sale of main property evidential provision would apply and to not require a credible repayment strategy at all for interest-only borrowing of less than 25% of the lender’s valuation?

We can see the reasoning behind the proposals to introduce these thresholds. However, we are concerned that the FCA may be stretching the definition too far in the 25% to 50% threshold.

Removing the evidential rule for a mortgage that is half the value of the property seems rather risky. It is a lot more reasonable as a threshold for a 25% interest only mortgage than a 50% interest only mortgage. We would suggest that the 50% threshold is too high and needs to be reduced to a smaller proportion of the value of the property. It is difficult to see many borrowers being in a position to clear their interest-only mortgage if it constitutes half of the value of their property. This seems a substantial hurdle.

Question 5: Do you agree with our proposals to clarify that where the sale of main property evidential provision does apply, that a mortgage lender should consider whether a cheaper property could be purchased mortgage-free and to add guidance on what an associated strategy could be?

Yes, these proposals look like an important safeguard where sale of the main property is proposed as a repayment vehicle. However, it will be important to be clear as to whether this is based on current equity or potential future equity at the end of the mortgage term. If the latter, then this could have implications if there was to be a fall in house prices in the future.

Question 6: As an alternative to the proposed rule changes and additional guidance, could the Consumer Duty alone be sufficient to protect interest-only customers?

We welcome additional guidance if the rules are changed. We do not favour relying on the Consumer Duty alone to protect consumers in these circumstances. It is also important that there are clear FCA rules and guidance setting out expectations for lenders so that they have certainty when offering these products.

Question 7: Do you agree with our proposal to add guidance on trigger points for when a review of an interest-only mortgage should take place?

We agree that the FCA should add guidance so that lenders can be aware of the trigger points to look out for that should prompt a review. We also agree that this guidance should not be definitive as other individual circumstances that have not been included in the guidance might also prompt a review.

Question 8: Do you agree with our proposal to remove guidance on what should be considered when assessing affordability for joint retirement interest-only mortgages?

Yes, this makes sense to change the rules and make the assessment in line with the approach for standard joint mortgages. It appears that the current rules are too restrictive, and people may be missing out on a more suitable product in retirement.

Question 9: Do you think that, if we remove the guidance, the Consumer Duty would be sufficient to meet our objectives?

We are not clear why the paper suggests that the guidance is too restrictive and should be removed, but then goes on to suggest that the Consumer Duty can be used instead to assess the borrowers on the basis of the surviving partner's income only.

3.17 "If a firm is concerned about what would happen if one of the borrowers passed away, then it can choose to consider the ability of the surviving party to continue making payments as part of its affordability assessment."

If the Consumer Duty is used as a caveat in this way, we are not sure that removing the guidance on assessing affordability will have the desired effect.

Question 10: Do you agree with our proposed revisions?

Yes, we agree with the proposed revisions to the FCA guidance to make it clear that lenders can agree payment schedules on mortgages that suit the borrower, and that the default position does not require payments to be made monthly. This will hopefully assist people with irregular or variable income such as the self-employed or seasonal workers.

It should of course be crystal clear to borrowers what their particular payment schedule is, and when they are required to make their contractual payments. There should be no potential for a lengthy payment schedule to become confused with actual mortgage arrears, and where forbearance rules apply instead.

Question 11: Do you agree with our proposed clarification on the application of the definition of 'credit impaired customer'?

We agree with the FCA that they should clarify the definition of 'credit impaired customer' as proposed in the paper. It would give a much-needed steer to lenders that this definition relates only to debt-consolidation mortgages. This definition should not be treated as an all-encompassing way of assessing affordability with immutable rules as set out in the definition.

We would welcome the proposed guidance to make this clearer to both lenders and borrowers.

Question 12: Is there anything more we can do to encourage lenders to support prospective borrowers with impaired credit or those who have recently recovered?

We want to see as many people as possible become eligible for mainstream mortgages without having higher interest rates or other lending restrictions applied to their mortgage because of previous credit problems.

We agree that a more tailored approach to eligibility would actively support consumers who may have adverse credit histories.

We come across many consumers through our National and Business Debtline services who have impaired credit files. In many cases this is due to being unaware of a county court judgment because they have moved house. Typically, this can be for small and estimated utility bills from previous properties, which may not even be accurate, but may be too late to challenge. We come across instances of private parking penalties where a county court judgment has been incurred, again where someone might have moved property or did not receive the correct notifications.

We very much support the government's decision to legislate to require the names of all claimants to be included on the Register of Judgments, Orders and Fines from October 2026.[1] This will enable research into the frequency of certain types of creditors taking out small forthwith judgments against consumers who do not know about the action. In the original consultation, there was a discussion relating to the frequency of errors such as in address details by creditors that led to judgments being made unfairly.

We also agree with the Registry Trust's call for lenders to record partial settlements on the Register. The FCA's recent consultation on the Credit Market Information Remedies[2] leads the way on requiring FCA authorised firms to report debts that have been satisfied on the Register and credit files.

In summary, we would like to see the FCA issue guidance to lenders that sets out when more flexibility should be adopted in relation to small debts, particularly utility and parking judgments and temporary arrears situations.

Question 13: Do you agree with our proposals to allow firms more flexibility to determine what arrangements they put in place to limit the exchange rate risk to consumers with foreign currency loans?

We cannot comment on foreign currency loans as this is not our area of expertise.

Question 14: Do you think that, rather than require lenders to monitor the foreign exchange rate risk for non-sterling mortgages, the Consumer Duty alone would be sufficient to meet our objectives?

We cannot comment on foreign currency loans as this is not our area of expertise.

Question 15: Do you consider the changes would encourage lenders to offer foreign currency loans?

We cannot comment on foreign currency loans as this is not our area of expertise.

Question 16: Do you agree with our proposal that a maximum term of 24 months, including extensions, is appropriate, and allows sufficient time for most consumers to exit the loan without the need to extend the term beyond 24 months or 're-bridge'?

We think this is a reasonable proposal, with the potential to save consumers money in fees and charges. However, this must be balanced by protections to ensure that consumers are not harmed by high levels of interest rolling up and eroding the equity in their property. This is a niche market that may charge higher rates of interest and charges, so it is incumbent upon the FCA to ensure these products provide good value, under its rules and under the Consumer Duty.

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[1] Ministry of Justice (2024) Including claimant data on the Register of Judgments, Orders and Fines : a consultation response - GOV.UK
The Register of Judgments, Orders and Fines (Amendment and Transitional Provision) Regulations 2026
[2] Money Advice Trust (2026) Response to the FCA Credit information Market Study FCA Remedies

Question 17: Do you think that the Consumer Duty alone, without defining a maximum regulated bridging loan term, would be sufficient to meet our objectives?

We do not support relying upon the Consumer Duty alone to ensure good consumer outcomes in this space. There should be definitions which include both a clear purpose to the loan and exit strategy as proposed in the paper. We would like to see a clear definition in place which does not leave it to lender interpretation of good practice and what they might decide is a good consumer outcome.

Question 18: Do you agree with our proposal to remove the requirement for lenders to assess affordability as if the bridging loan were a new loan when extending the term of a bridging loan which is not an interest roll-up mortgage?

This proposal seems to be sensible in the circumstances where affordability has been so recently assessed.

Question 19: Do you have any questions on our cost-benefit analysis?

We do not have any questions about the cost-benefit analysis at this stage.

For more information on our response, please contact:

Meg van Rooyen, Policy Lead

meg.vanrooyen@moneyadvicetrust.org

The Money Advice Trust

Tricorn House, 51-53 Hagley Rd,
Birmingham, B16 8TP

Email: policy@moneyadvicetrust.org

www.moneyadvicetrust.org