

Help with mortgages to continue for homeowners affected by Coronavirus

- ongoing mortgage support for homeowners still struggling with impact of Coronavirus
- application period for a mortgage holiday also extended
- lenders will contact their customers to discuss options

The availability of a three month mortgage holiday was first announced in March as part of an unprecedented package of support for individuals, businesses and the economy. Over 1.8 million mortgage payment holidays were taken up, and the first of these will be coming to an end in June. So to give people the certainty they need, they will be contacted by their lender to discuss a way forward. Where consumers can afford to re-start mortgage payments, it is in their best interest to do so. However, if people are still struggling and need help, a full extension of the mortgage holiday for a further three months will be available as one of the options open to them.

The Financial Conduct Authority (FCA) has published new draft guidance today for lenders which will set out the expectations for firms and the options available to their customers. This includes extending the application period for a mortgage holiday until 31 October so customers that have not yet had a payment holiday and are experiencing financial difficulty will be able to request one. The current ban on repossessions of homes will be continued to the same date.

The Economic Secretary to the Treasury, John Glen said:

We're doing everything we can to help people with their finances at this difficult time, and that includes making sure people get the support they need with their mortgages. That's why we're working with the banks and lenders to extend payment holidays if people need them.

Everyone's circumstances will be different, so when homeowners can pay some or all of their mortgage, they should work with their lender on a plan; but if they are still struggling, I want them to know that help is there.

Christopher Woolard, Interim Chief Executive at the FCA, said:

Our expectations are clear – anyone who continues to need help should get help from their lender. We expect firms to work with customers on the best options available for them, paying particular attention to the needs of their vulnerable customers, and to provide information on where to access help and advice.

Where consumers can afford to re-start mortgage payments, it is in their best interests to do so. But where they can't, a range of further support will be available. People who are struggling and have not had a mortgage payment holiday, will also continue to be able to apply until 31 October.

When the guidance comes into force, following a short consultation, lenders will be expected to contact their customers whose mortgage holiday is coming to an end. Some may be able to resume their full monthly payments, others may be able to pay a proportion of their monthly payment, or temporarily switch to an interest only mortgage, and others will opt to extend their mortgage payment holiday.

Borrowers that resume with their mortgage payments will be given options on how best to do so, such as the opportunity to extend the term of their mortgage in order to leave their monthly payments at around the same level as they were prior to their mortgage holiday.

Notes

Full details have been published by the FCA – for more information see <https://www.fca.org.uk/publications/guidance-consultations/mortgages-coronavirus-updated-draft-guidance-firms>

The guidance sets out that:

- Customers who can afford to return to full repayment should do so. At the end of a payment holiday, firms should contact their customers to find out if they can resume payments and if so, agree a plan on how the missed payments will be repaid.
- anyone who continues to need help gets help – lenders should continue to support customers who have already had a payment holiday where they need further help, including a further three month deferral
- keeping the scheme available to people who are impacted at a later date – customers that have not yet had a payment holiday and experiencing financial difficulty will be able to request one
- keeping a roof over people's head during a public health crisis – the current ban on repossessions of homes will be continued to 31 October 2020
- payment holidays and partial payment holidays offered under this guidance should not have a negative impact on credit files

The FCA welcomes comments on these proposals until 5pm on Tuesday 26 May and

expects to finalise the guidance shortly afterwards.