

Regulatory support for individuals with consumer credit

Latest Update (8 July 2020)

- On Friday 22 May, the FCA confirmed that it has proposed for these time periods to be extended for a further 3 months. Comments on this proposal have been requested by close of play on Tuesday 26 May.
- Please note we are still waiting for this proposal to be confirmed.

Main Details

On 9 April 2020, the Financial Conduct Authority (FCA) has confirmed (previously proposed on 2 April 2020) a range of targeted temporary measures designed as a stop-gap to quickly support users of certain consumer credit products who are facing a financial impact because of the exceptional circumstances arising from coronavirus.

This package is intended to complement measures already announced by the government to support mortgage holders (and renters) and the assistance being provided for furloughed employees and the self-employed.

The measures are:

- Set out the FCA's expectations on firms to offer a temporary payment freeze on loans and credit cards where consumers face difficulties with their finances as a result of coronavirus, for up to three months.
- Ensure that for customers who have been hit financially by the coronavirus and already have an arranged overdraft on their main personal current account, up to £500 will be charged at zero interest for up to three months.
- Require firms to make sure that all overdraft customers are no worse off on price when compared to the prices they were charged before the recent overdraft changes came into force.
- Ensure consumers using any of these temporary measures should not have their credit rating affected because of this.

Overdrafts

Consumers who need additional financial support because of coronavirus with an existing arranged overdraft will be able to request from their provider that up to £500, on their main personal current account, is provided at 0% for up to three months. Alongside this customers without an overdraft on their main personal current account are able to request this facility.

The FCA's previously announced overdraft rules come into force on 6 April. Firms can only charge a single annual interest rate for arranged and unarranged overdrafts. This will significantly reduce the cost of unarranged borrowing, also providing vital protection during this period. The end of fees and charges for borrowing means that all consumers will be clear about what they're paying.

However, some firms have recently decided to increase their arranged overdraft prices. Over the next 90 days, firms would have to ensure all consumers are no worse off and not paying more than they would have paid under previous prices.

Credit cards, store cards and catalogue credit

Customers facing financial challenges due to coronavirus would be able to ask for a three-month payment freeze or to pay a nominal payment on credit cards, store cards and catalogue credit. Firms

could consider other measures, such as reductions in monthly payments, if appropriate. In addition, customer cards would not be suspended during this period.

Personal loans

Customers with personal loans who face difficulties with their finances as a result of coronavirus would also be able to ask for a three-month freeze if needed.