

Minutes

Meeting: FCA Board
Date of Meeting: 23 April 2020
Venue: Meeting held via Skype

Present: Charles Randell (Chair) Richard Lloyd
Catherine Bradley Alice Maynard
Liam Coleman (from item 2) Sam Woods
Bernadette Conroy Christopher Woolard
Sarah Hogg Tommaso Valletti
Jeannette Lichner

In attendance: Set out in Annex A

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 No interests in relation to the items to be discussed were declared.

2 Temporary support to consumers holding a range of consumer credit products – package 2

- 2.1 The Board was briefed on the outcome of the consultation on a proposed package of measures to provide temporary support to consumers in relation to motor finance, high-cost short-term credit (HCSTC), rent-to-own (RTO) and buy-now-pay-later (BNPL) agreements and pawnbroking.
 - 2.2 The Board was informed that stakeholders generally understood the proposal for a one-month payment deferral and interest waiver in relation to HCSTC. It was accepted that the characteristics of HCSTC warranted the shorter deferral term than was being proposed for other forms of credit. The team noted however that more clarity was sought on the strategy at the end of the period and this would be given. It was noted that firms would be required to engage with their customers to agree an appropriate forbearance strategy and that, if they did not do so, the deferral and waiver period would continue for a further month.
 - 2.3 The team reported that it had originally proposed that the relief would be available only to those customers with loans in existence at the time the guidance came into effect. Some respondents to the consultation had expressed concern about this, noting that it was possible that new customers may take on loans after that date and only later become affected by Covid-19 in a way they had not reasonably foreseen. It was also noted that any new loan
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would be subject to normal affordability checks. It was therefore proposed to amend the guidance so that it also applied to loans taken out after it took effect.

- 2.4 The team noted that some respondents had pointed out that the draft guidance was ambiguous in respect of the interest to be waived. It was therefore intended to make clear that the intention was that the customer's outstanding balance would remain unchanged as a result of the payment deferral.
- 2.5 The Board considered the impact of the payment deferral on the viability of firms, particularly smaller ones. Overall, it was felt that the period of one month struck an appropriate balance in this respect and it was noted that many firms were already offering the proposed relief.
- 2.6 The Board discussed responses received in respect of BNPL agreements. It was informed that some firms had suggested that the proposal to extend the promotional period of such agreements by the length of the deferral period, irrespective of when the promotional period was due to end, was overly generous. The team felt that it was important that this feature was maintained in order to limit the potential financial shock to the customer and the Board agreed. The Board agreed that similar considerations should also apply in respect of pawnbroking agreements. The Board noted and agreed with the proposal to exclude Peer-to-Peer facilitated pawnbroking agreements from the guidance.
- 2.7 The Board noted that all the credit guidance proposals were expressly aimed only at personal lending and it was intended to maintain this position in respect of motor finance, despite some representations received in relation to the impact on small business lending. It was however proposed to include in the feedback statement that firms should consider extending the guidance to regulated business lending in line with Principle 6.
- 2.8 In conclusion, and subject to the proposed changes, the Board **approved** the publication of guidance, setting out the FCA's expectations of firms to provide temporary support to consumers, relating to the following areas:
- a) Motor finance
 - b) HCSTC;
 - c) Rent-to-Own (RTO), BNPL and Pawnbroking
- 2.9 The Board **resolved** to make the following instrument:
- i. Covid-1 Motor Finance and High Cost Credit Instrument 2020 (FCA 2020/17)
- 2.10 The Board **agreed** to the publication of the guidance and associated rule changes on Friday 24 April 2020, with these coming into effect on Monday 27 April 2020.

3 Mortgages

- 3.1 The Board noted that rules previously introduced required inactive lenders and administrators of unregulated entities to contact relevant borrowers to inform them of the modified affordability rules and highlight the potential to switch to a cheaper mortgage. It was noted that the firms concerned were currently required to formulate their communications strategy before 1 May and contact relevant borrowers before 1 September 2020.
- 3.2 The Board was informed that lenders were facing significant operational challenges in response to the Covid-19 pandemic and that there was consequently a lack of new borrowing options in the market. It was also recognised that Covid-19 was placing significant additional pressure on the Money and Pensions Service, which would have a significant role in this initiative. Accordingly, the Board was briefed on the recommendation to delay by three

months the current notification requirement on relevant firms. This would give an end date of 1 December. The Board noted that this would require a minor amendment to the existing rule but believed that it was justified to do this without consultation as it would give firms more certainty about when they should communicate and allow them to prioritise the immediate needs of borrowers now.

3.3 The Board **considered** guidance that firms do not commence or continue repossession proceedings against borrowers for a further three months for consultation and noted that the team had further work to do if this was to be taken forward.

3.4 The Board **resolved** to make the following instrument:

i. **COVID-19 Mortgages Instrument 2020**

3.5 The Board also **agreed** that any proposals should be communicated alongside the intention to consult on a wider package of measures to assist borrowers.

4 Any other Business

4.1 There being no further business, the meeting closed.

Charles Randell
Chair

ANNEX A: Attendees*

Attending for all, or substantially all of the meeting:

Nisha Arora	Director, Consumer Strategy & Policy
Megan Butler	Executive Director, Supervision - Investment Wholesale and Specialists
David Cross	Private Secretary, Chief Executive Office
Jonathan Davidson	Executive Director, Supervision – Retail & Authorisations
Nausicaa Delfas	Executive Director, International
Sheldon Mills	Interim Director, Strategy & Competition
Simon Pearce	Company Secretary
Georgina Philippou	Chief Operating Officer
Ian Runacres	Private Secretary, Chairman’s Office
Mark Steward	Executive Director, Enforcement & Market Oversight
Beverley Walker	Manager, Central Secretariat
Andrew Whyte	Director, Communications

Attending for the following items:

2	Simon Brindley	Head of Department, GCD Banking, Credit and Competition
	Anthony Daughton	Manager, Competition Finance Team
	Nick Waugh	Technical Specialist, Consumer Credit Sector Team
	Robert Rosenberg	Technical Specialist, Policy Consumer Credit
	Ian Searle	Manager, Payments Policy
3	Keith Hale	Technical Specialist, Mortgage Policy
	Richard Sutcliffe	Head of Redress and Retail Lending
	Kathy Taylor	Technical Specialist, Mortgage Sector
	Sara Woodroffe	Manager, Mortgage Policy

* Additional associates were also in attendance