

Mortgage Market Review

Arrears Consultation Paper

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Agenda

- Overview of the thematic review of arrears handling
- The consultation proposals
- Our regulatory approach
- Management Information
- Reactions to the MMR DP and our next steps
- Questions
- Final comment

Overview of thematic review findings



Firms have not demonstrated that they are:

- Considering solutions other than an arrangement to pay;
- Adopting a reasonable approach to the time over which the payment shortfall should be repaid and establishing a feasible payment plan;
- Repossessing the property only where all other reasonable attempts to resolve the position have failed;
- Making and retaining an adequate record of their dealings with a consumer; and
- Using fair and reasonable arrears charging practices.

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Some examples of poor treatment



- Taking borrowers to court at a very early stage to enforce an 'arrangement' incurring high costs to the borrower
- Arrangements to pay were often set too high meaning borrowers would fail to maintain payments, with some even missing the very first payment (Their circumstances were clearly not assessed).

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The consultation proposals



Clarifying and strengthening our existing requirements

Charges levied against borrowers with an Arrangement to Pay (ATP)

Arrears fees within Early Repayment Charges (ERCs)

Payments from customers must be allocated to clearing missed monthly payments, leaving charges to be paid later

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Changing guidance to rules



- Converting MCOB 13 guidance into rules and introducing a reference to the various government schemes

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Additional record keeping



- Telephone calls must form part of the arrears records kept by firms
- Extending the overall record keeping period from twelve months to three years.

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Our regulatory approach



- early detection and intervention, through intensive supervision

Our consumer protection strategy seeks to achieve three goals:

- (1) Making the retail market work better for consumers;**
- (2) Avoiding the crystallisation of conduct risks that exceed our risk tolerance; and**
- (3) Delivering credible deterrence and prompt and effective redress for consumers.**

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Management Information (MI)



- MI should be qualitative and quantitative for senior management to assess the effectiveness
- focusing on outcomes for consumers not just adherence to service level agreements.
- If a good standard of MI allows senior management to identify what approaches are working and which areas need refinement - resulting in better outcomes for consumers.

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Reactions to the MMR DP



- The majority of firms were in support of our proposals
- Some firms were concerned that converting rules to guidance would involve mandatory participation in the government forbearance schemes
- Some firms have expressed concerns that they will need time to implement the proposals – especially regarding the removal of arrears fees from ERCs
- Why is the FSA implementing these changes and not taking action against individual firms.

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Conclusion



- Identify the reason for arrears early
- Always assess the individual circumstances of the customer - this will assist you in finding the right solution for that particular borrower
- Consider the government schemes
- Create high quality MI and act on it

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Next steps



- The consultation closes on 30 April 2010
- We aim to produce a policy statement in June 2010

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Questions?

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Final comments

- **Consider the individual circumstances of the borrower – by finding this out it will help you assess the right solution for them.**
- **Record your dealings with the borrower - this can demonstrate to us how you have dealt with the customer - show us how good you are!**

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