



## All Party Parliamentary Group on Mortgage Prisoners

Christopher Woolard  
FCA  
12 Endeavour Square  
London E20 1JN

Dear Chris

Thank you for your letter dated 27<sup>th</sup> March to the APPG on Mortgage Prisoners in which you asked us to share any information concerning failures by lenders or mortgage administrators to treat their customers fairly. In the light of this, we are writing to report the poor practices outlined below and to request the following action from the FCA:

**SVR loyalty discount:** The FCA should ensure that letters about rate changes are clear and review how firms like NRAM, Landmark, Heliodor and others are applying and communicating the loyalty discount.

**Stop capitalisations of payment shortfalls and other charges:** The FCA should investigate whether firms like NRAM, Landmark, Heliodor and others are automatically capitalising amounts when recalculating monthly payments, prohibit the practice and require customers to be paid redress in line with the FCA's guidance.

**Stop all arrears and missed payment charges:** The FCA should amend its Coronavirus guidance to stop the levying of all arrears and missed payment charges for at least the next 3 months. Any charges taken unfairly should be refunded.

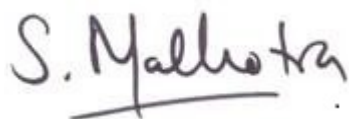
**Ensure easier processes of implementing payment holidays and enable all customers to apply online for payment holidays:** All customers, including those in arrears, should be able to apply for payment holidays online or through email. Some lenders and administrators are either prohibiting those in arrears from applying online or not allowing any customers to apply online.

**Ensure that any missed payments do not damage consumers credit files or result in them being classified as being in arrears:** A number of lenders and administrators are saying that they cannot stop payments which are scheduled to go out in the next few days. In some cases, they are telling customers that they cannot stop a payment due to go out in the next two weeks. Once the payment holiday has been accepted any mortgage payment which has been taken should be refunded and no negative impact should be left on credit files for any missed payments. Any missed payment or arrears charge should also be refunded.

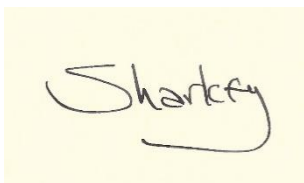
**Clear information on eligibility for payment holidays:** A number of lenders and administrators still have confusing or misleading information on their websites about eligibility for payment holidays or their impact on credit files. The FCA should require the information to be clear, fair and engaging for customers.

Thank you for the FCA's participation in the Solutions Working Group established by the APPG. We would be happy to continue to discuss these issues with the FCA, UK Finance, the Building Societies Association and others including how the right to request a mortgage payment holiday can be communicated effectively and how the process of requesting one can be made to work for consumers.

Kind regards



Seema Malhotra MP



Lord Sharkey

Co-Chairs, APPG on Mortgage Prisoners



Kevin Hollinrake MP

Co-Chair, APPG on Fair Business Banking

CC

Stephen Jones, UK Finance

Robin Fieth, Building Societies Association

John Glen MP, HM Treasury

[appgmortgageprisoners@gmail.com](mailto:appgmortgageprisoners@gmail.com)

## **Details of the practices**

### ***Letters about rate changes and the SVR loyalty rate***

Following recent letters outlining the rate changes there is confusion among some mortgage prisoners about the terms of the SVR loyalty rate offered to former customers of Northern Rock. This is particularly the case for customers of Heliodor. They were confused about whether they are eligible for the loyalty rate and whether this was a new rate for them. There was no information about the SVR loyalty rate on the Heliodor website. The NRAM website contains the following information about the loyalty rate:

“The NRAM Loyalty Rate is a discount of 0.25% from our Standard Variable Rate and applies if you meet all of the following criteria:

- you are an existing residential NRAM mortgage customer and have held your mortgage with us on the same property for 7 years
- your mortgage payments are up to date
- you do not currently benefit from a special rate (such as a fixed or tracker rate)
- you are not currently within an Early Repayment Charge (ERC) period
- you do not have a together mortgage”

Given the confusion, we believe that the FCA should investigate how NRAM, Landmark and Heliodor are applying and communicating the loyalty rate and the systems they have for monitoring whether customers are entitled to it. We are concerned that any attempt to remove or to not apply the SVR loyalty rate to those mortgage prisoners who are not up to date with payments would be a clear breach of MCOB 2.6A.-1 R.

### ***Capitalisation of payment shortfalls, arrears and other charges***

Mortgage prisoners have contacted us to express surprise that despite the fall in interest rates, their monthly payments have actually increased. The letter sent by Andrew Jones (CEO, Heliodor Mortgages) dated 7<sup>th</sup> April seems to suggest that Heliodor have been automatically capitalising arrears and other fees and charges in the Contractual Monthly Instalment (CMI) when interest rates change. MCOB 13 contains specific provisions which prevent a firm from automatically capitalising a payment shortfall where the effect is material. FCA Guidance FG17/4 published in April 2017 told all firms to stop the practice of adjusting CMIs to “automatically include customers’ payment shortfall balances within CMI calculations, following a calculation trigger, such as an interest rate change”. We request an immediate investigation into practices at Heliodor, NRAM and the other brands administered by Computershare. If this practice has resulted in detriment we expect that redress will be paid to customers in line with the FCA’s guidance.

### ***Arrears and missed payment charges***

We are concerned that some lenders and administrators such as Heliodor continue to levy arrears charges on mortgage prisoners. We believe that this practice should be stopped immediately, and all firms prohibited from levying arrears charges and charges for missed payments for the next 3 months. Any charges taken unfairly should be refunded. We recommend that the FCA implements this by revising its Coronavirus mortgage guidance. We are also concerned about reports from mortgage prisoners that the process of attempting to negotiate an agreement to repay arrears was disrupted by the transfer from NRAM to Heliodor. We believe that the FCA should review Heliodor’s processes and the processes at other lenders and require a refund of arrears charges to any mortgage prisoners affected.

### ***Implementing payment holidays***

Heliodor have made it clear that if the payment is due within the next 10 working days (which we note could be up to 14 calendar days) then they payment holiday won't start until the next monthly payment. The Heliodor website says:

“If your next monthly payment is due in the next 10 working days, your payment holiday will start from the following month. If you are unable to meet your full payment in the meantime, then this payment will fall into arrears. In order to minimise the amount of arrears outstanding we would advise you to make a payment for as much as you can afford.”

They seem to want to classify anyone who cannot make a payment in the next two weeks as being in arrears. This is grossly unfair and will damage the credit records of mortgage prisoners and will mean that they are ineligible to use the new affordability test.

Other lenders are also stating that mortgage payments due in the next 7-10 days need to be paid.

As we requested in our letter of 31<sup>st</sup> March, we believe that where, due to problems with administration or any other delays, lenders cannot implement the payment holiday from the next payment, then once the payment holiday has been agreed they should be required to reverse the payment, refund any missed payment charges, not classify the customer as being in arrears and remove any negative impact on credit files. This is particularly important at the moment, where we have received reports that mortgage prisoners are finding it very difficult to get through to lenders and administrators over the phone. In our experience, mortgage prisoners cancelling their Direct Debit or being unable to make the payment are doing this because they are desperate and do not have the money to pay.

We have received reports from mortgage prisoners that firms such as Landmark are already classifying people who could not make payments as being in arrears – even if they had applied for a payment holiday. This is unacceptable and unfair.

### ***Ability to apply for a payment holiday online***

Given the difficulty mortgage prisoners are having contacting lenders over the phone we would expect the FCA to require firms to allow all consumers to apply for payment holidays online or over secure email. We are concerned that lenders, including a number of high-street banks and administrators like Landmark are not allowing customers in arrears to apply for payment holidays online. Mortgage administrators Engage Credit are not allowing any customers to apply online for payment holidays and say on their website that they “do not correspond via email”.

### ***Unclear information about entitlement to payment holidays***

Thank you for prompting lenders to correct the misleading information reported in the email from Dominic Lindley dated 26<sup>th</sup> March. However, we still remain concerned about the misleading information which continues to be on the following websites:

**HSBC:** The website tells consumers to only apply for a payment holiday if “you’re up to date with your repayments”. This is unacceptable as the FCA guidance makes it clear that firms must offer payment holidays to those in arrears.

**Heliodor:** The website says “Please note: Whilst we are working on the basis of industry and government guidance to ensure that the payment holiday will not adversely impact your credit file or be classed as arrears, we cannot guarantee how other lenders will interpret the payment holiday

when assessing any future lending decisions.” We are concerned that such language could put off some consumers from applying for a payment holiday and recommend that it should be removed.

**Barclays:** The website says:

“Payment holidays are available whether you have a mortgage for your home or for a buy-to-let property. There’s no need to call us, providing you meet these criteria.

You could be eligible if

- Your income has been affected by the ongoing coronavirus situation – directly or indirectly
- You’re up to date on your mortgage payments

If you’re experiencing longer-term financial difficulties (for example, if you’re currently behind with mortgage payments), we need to talk to you to help us find the best solution to your problem.”

The website should be amended to make it clear that those in arrears are also eligible for payment holidays and the processes should be revised so that they can apply online.