



Statement on mortgage prisoners

The FCA has been working for some time to support mortgage prisoners. This work has continued during the disruption caused by coronavirus (Covid-19). So far, our action has resulted in reductions in mortgage payments for the vast majority of mortgage prisoners, by ensuring base rate cuts are passed on where possible.

These actions are in addition to the changes we made in October 2019 to make it easier for mortgage prisoners to switch to new lenders. However, the success of these changes depends on lenders offering new switching options to these customers.

As a result of coronavirus, and particularly due to the difficulty in establishing property values and the government's advice to delay house moves where possible, we have seen significant changes to the mortgage market.

Lenders have removed a large number of products from the market for all consumers since the beginning of March. Lenders have also faced challenges serving existing customers and have granted 1.6m payment holidays. Realistically, the current economic conditions mean that lenders are not yet in a position to offer new options for borrowers.

Our rules, based on pre-coronavirus conditions, require firms to write to those who may be eligible letting them know they may be able switch their mortgage. However, given lenders' inability to offer new switching options to mortgage prisoners it would be wrong to require letters to be sent to consumers at this time.

We are therefore extending the window during which we expect firms to contact consumers about [switching options by 3 months](#) [3]. We do not want mortgage prisoners to receive communications encouraging them to switch, when there are no suitable products available for them.

We will keep this under review alongside other measures to support mortgage borrowers and are committed to working with industry to see this product development happen as soon as practicable.

We recognise that our work to remove regulatory barriers to switching will not help all mortgage prisoners and that worsening market conditions will have implications for product solutions.

Writing to firms about variable rate mortgages

We also recognise that this is an uncertain and difficult time for many mortgage borrowers, and particularly for mortgage prisoners. As a result, today we have [written to some firms](#) [4] to reiterate that customers on variable rate mortgages taken out before the financial crisis with higher risk characteristics must be treated fairly, and that lenders should be actively reviewing their rates.

In particular, in respect of firms administering books on behalf of lenders, we are reminding them of their obligation to treat customers fairly where they have discretion to set rates on behalf of the lender.

Where they do not, we expect them to comply with general consumer protection law including the Consumer Protection from Unfair Trading Regulations 2008. This includes having regard to the standards of professional diligence and our expectations of lenders across this sector to review their rates in light of current circumstances. We will act where we see outlier rates and consider their practices to be unfair.

Further options to support mortgage prisoners and other borrowers affected by coronavirus

In addition, we will continue our discussions with government, consumer groups and other stakeholders to seek solutions for all borrowers in financial difficulties.

Our [guidance to mortgage firms](#) [5] on how to manage the impact of coronavirus remains in place and borrowers can use it to pause payments if they are affected. Firms should not commence or continue repossession proceedings against customers.

We are using the time this guidance is in place to consider what further options may be necessary to support mortgage prisoners and other mortgage borrowers affected by coronavirus. We expect to say more in the coming weeks.

Source URL: <https://www.fca.org.uk/news/statements/statement-mortgage-prisoners>

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- [1] <https://www.fca.org.uk/print/news/statements/statement-mortgage-prisoners>
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- [4] <https://www.fca.org.uk/publication/correspondence/letter-mortgage-lenders-administrators-managing-closed-mortgage-books.pdf>
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