

Consultation Response

Proposals for Temporary Financial Relief for Customers Affected by Coronavirus

Financial Conduct Authority

April 2020

Ref:

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About this consultation

The Financial Conduct Authority has launched a consultation proposing a range of temporary measures to support users of several consumer credit products who are facing financial challenges arising from the coronavirus.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Key Points and Recommendations

- **Firms must be required to ensure that customers understand the long term implications of any action that is agreed**
- **Firms should be required to report to the FCA how they are supporting customers, and particularly how they are helping vulnerable customers**
- **The provisions should be extended to customers who do not have any negative Covid-19 implications for their finances, but who are concerned about accessing cash**

Introduction

We welcome the opportunity to comment on the proposals, and the action that the FCA is taking to protect consumers impacted by Coronavirus in these markets.

We appreciate that the urgency of the action that the FC is taking. We understand that several firms are already implementing many of the measures that are proposed, and welcome the FCA's action that will bring common standards across firms and give consumers certainty of the help they can expect from their provider.

We fully recognise that many people are encountering financial problems as a consequence of the Coronavirus. Meeting financial commitments that were previously easily affordable has suddenly become challenging, and the flexibility that the FCA is giving firms to help such customers is to be welcomed.

We have been unable to consider the impact of each of the measures in the short time available to us, but have the following general points to make.

The Long Term Impact

We are concerned that people will take advantage of the flexibility that is offered without fully appreciating the long term impacts on their finances, and particularly that debt will still have to be repaid. This is particularly important for older people, who may be on limited incomes and so may have difficulty meeting increased repayment requirements when we return to normal circumstances.

Firms must ensure that older customers taking advantage of these new measures fully understand the long term implications of any actions they agree with their provider, including the implications for repayments in the future.

Many vulnerable customers, including older people, may also have difficulty understanding how financial products work, and the implications for them. While they may have understood how the product worked when they took it out, issues such as cognitive decline may mean that this is no longer the situation. Firms need to be particularly supportive of such customers, and the FCA should require firms to report to them how they are using the new provisions to support customers, and how they are helping vulnerable customers.

Access to Firms

We support the requirement for any customer wishing to take advantage of any of the flexibility discusses it with their provider first. This is vital to ensure that any action is taken is in the customers interests.

However, we are hearing anecdotally that many call centres are becoming difficult to contact, both as a consequence of high inbound call volumes and staff absence. This is potentially particularly challenging for older people who may not have access to electronic means of communication or whose complex requirements mean that they need to speak to their firm to receive appropriate help.

Firms should be encouraged to set aside times for vulnerable people to contact them, to ensure that those who particularly need to speak to someone for help have the opportunity to do so.

Access to Cash

We recognise that the FCA's proposals are designed to help those who are in financial difficulty as a consequence of the Coronavirus, and support these aims.

For many older people – who will not have high levels of borrowing or debt – the key challenge over the course of the emergency is going to be accessing cash. Older people are much more likely to use cash to pay their day to day expenses than younger people. We appreciate that the FCA, along with other regulators, is continuing to monitor the cash supply situation to ensure that its resilience and that people can access their cash.

However, should there be any local cash supply issues – especially in rural areas – older people could face real difficulties paying for food and other essential items and meeting other financial commitments.

Firms should be given the flexibility to extend the provisions you are proposing around increased credit card and overdraft limits to older people who are in good financial circumstances but who request such help to ensure that they can access cash and manage their finances through this period.

We also believe that – during this period – the FCA should set maximum limits on the interest rates that credit card providers can charge for cash withdrawals from ATMs. Such transactions tend to attract very high rates of interest from the moment that the cash is withdrawn, and in view of potential cash supply problems, we don't believe that people should be discouraged from using credit cards if they encounter access problems by high interest charges.

Going Forward

We recognise that the measures outlined by you are scheduled to only apply for a three month period. We welcome the time limit on them.

However, in view of the potential longer term impacts of the Coronavirus, we believe the FCA should start to look at potential support for people who may need help beyond that period, and how such support can be provided in a financially sustainable way, especially for those on low or fixed incomes.

We also remain concerned to hear reports of firms reducing access to credit for consumers. While we appreciate that staff shortages may see a restriction in the number of loan or mortgage applications that can be processed, the FCA should prevent any tightening of mortgage or other lending criteria to ensure that consumers who need – and can afford – credit can access it.