

## REGULATORY INTELLIGENCE

**FCA sees a case for law change to help more mortgage prisoners**

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The Financial Conduct Authority (FCA) sees a case for expanding the regulatory perimeter to help more borrowers, mortgage prisoners, trapped in high-interest-rate mortgages largely held by non-banks, officials said. The FCA, however, cannot act alone to enact further rule changes in terms of affordability and other criteria to help a greater number of mortgage prisoners onto lower interest rates. Ultimately, the mortgage prisoners' fate sits with the government and parliament.

"I am open to considering an extension to the regulatory perimeter where the benefits to consumers and markets can be demonstrated, however it is important that we do not raise false hope for these customers by pursuing a change that does not end up helping them," John Glen, economic secretary to the Treasury, [wrote](#) to Stephen Jones, UK Finance chief executive, on January 28.

In October, the FCA set out changes to its [responsible lending rules](#) to tweak affordability criteria. The aim was to allow lenders to take on some mortgage prisoners as customers. The new affordability criteria are voluntary, however, and exclude interest-only mortgages or borrowers in arrears, thus excluding most mortgage prisoners.

**Few lenders helping mortgage prisoners**

To date, few lenders are offering mortgage products based on the new affordability criteria. Lenders should adopt modified mortgage affordability assessments within the next three months, the FCA said.

"We are determined to help mortgage prisoners who are eligible under our rule change, meet the criteria for lending and would benefit from doing so. We have done everything within our power, and it is now for the industry to take action," an FCA spokesman said.

The FCA wants as many lenders as possible to offer the modified affordability assessment, and some have shown interest in adopting them. According to research conducted by UK Mortgage Prisoners, however, few lenders are offering products to borrowers who are not already customers. Many mortgage prisoners' loans are held by non-bank "inactive lenders" such as Cerberus Capital Management-owned Landmark.

"The rule change was supposed to help everyone, but we contacted every bank and most are only allowing it for their own customers," Rachel Neale, co-founder of UK Mortgage Prisoners, an action group, said.

Neale and lawmakers who have taken up the mortgage prisoners' cause are concerned banks are not doing enough to offer new products. Neale, along with members of parliament Kevin Hollinrake (Con) and Seema Malhotra (Lab), will meet Andrew Bailey, the FCA's chief executive, later this week to discuss the full range of challenges facing mortgage prisoners.

UK Finance, meanwhile, says it is working on the problem.

"Our mortgages board met last week and fully recognises the imperative to consider practical ways to help eligible borrowers, if possible a wider cohort beyond the 14,000 identified by the FCA, who are up-to-date with their payments, are likely to meet commercial lending criteria and who could benefit meaningfully from switching to a cheaper deal. We have established a UK Finance working group to take this forward and a wide range of lenders across banks, building societies and specialist lenders, including all the largest lenders, have committed to support this important work," Jones [wrote](#) to Glen on January 28.

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