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John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Rd,
Westminster,
London SW1A 2HQ

28 January 2020

Dear John,

Mortgage Prisoners

Thank you for your letter of 28 January 2020.

As you are aware, UK Finance is committed to working with relevant members, the Financial Conduct Authority (FCA) and government to help find solutions that assist customers with mortgages provided by firms that are no longer active in the market. We have engaged with all of our mortgage members as well as Andrew Bailey and Chris Woolard at the FCA, and Sam Woods at the PRA, to ensure prospective lenders can now work at pace to develop suitable product for eligible borrowers from within this population.

You will recall that we have already taken action on customers on reversion rates with active lenders. In 2018 we co-ordinated an industry agreement to assist those customers on reversion rates who may have been able to save money by switching to a better mortgage deal. In total, 67 lenders representing 95 per cent of the active lending market signed up to the agreement and over 26,000 customers of participating regulated active lenders were offered a lower-rate mortgage as a result.

It is helpful that the FCA has now published the data on borrowers in closed mortgage books or borrowing with firms that are not regulated by the FCA. This allows lenders to consider the needs of this group carefully and develop products to meet their needs. 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.

Customers of inactive lenders and firms not authorised for new mortgage lending will be contacted by their mortgage administrator later this year and at that point we anticipate there will be a range of products from a variety of lenders available. Customers will need support in understanding and

making their choices. UK Finance, together with other industry bodies, is working closely with the FCA through its Implementation Group to develop sources of information to help customers check if they are able to secure a new mortgage deal under the revised criteria and are seeking to do so quickly.

However, many of the customers in this group will have complex needs and are unlikely to have had mortgage advice recently. We also want them to have access to the widest possible choice of options from a range of lenders and products, across banks, building societies and specialist lenders. We have therefore suggested that the FCA issue a call for expressions of interest to develop a list of brokers willing to work with this group of borrowers. These brokers would also have access to the most up to date information about lender products and criteria from across the whole market.

As you note, there will be many customers who will not be able to benefit from the FCA's revised approach to affordability assessments by lenders. We work closely with government, the third sector and the FCA on the range of support available for customers in debt and we would encourage all such customers to contact the Money Advice and Pensions Service who can provide free, impartial advice and signposting to debt advice where appropriate. I note that you are open to considering an extension to the regulatory perimeter where the benefits to consumers and markets can be demonstrated and we will give further thought to measures that might be beneficial and effective.

Naturally, the banking and finance industry is keen to work closely with you on this issue and will ensure that your officials continue to be fully briefed with developments.

I have made a copy of this letter available on the UK Finance website.

Yours sincerely,

Stephen Jones
CEO
UK Finance