



GOOD PRACTICE GUIDELINES FOR SECOND CHARGE MORTGAGES

Helping Customers with Payment Difficulties



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Treating cases sympathetically and positively

- These Good Practice Guidelines set out how we can help if you are having problems paying your second charge mortgage or secured loan. Your case will be considered on an individual basis, taking into account all the circumstances. We will be as flexible as we can in helping you. A property will be repossessed only as a last resort, once all other reasonable options have been explored.
- We will consider your case sympathetically and positively. We are also committed to acting fairly, reasonably and responsibly in all our dealings with you. We will do what we can to help you deal with your second charge mortgage and this may include making new arrangements to help you pay it off. In doing so, we will consider any other debts that you owe.
- Our members adhere to both the Consumer Credit Act 1974 (as amended in 2006) and the Finance & Leasing Association Lending Code. They are also authorised and regulated by the Financial Conduct Authority (FCA) and follow the Mortgage Conduct of Business Rules (MCOB), which forms part of the FCA's Handbook. We also comply with the Pre-Action Protocol for Mortgages, published by the Civil Justice Council. Together, these impose detailed requirements on how we should act if you have fallen behind with your repayments.

- These Guidelines provide additional protection for our customers and compliance with them will be independently monitored as part of the Lending Code.

Early contact

- If you fall behind with your payments, we will contact you once the first payment has been missed to discuss the situation with you and to check that there has not been a mistake. We may also contact you if you appear to be showing early signs of financial difficulty. If the amount you pay on your second charge mortgage is due to change, we will write to you beforehand with information about any changed payments and any options available.
- You should tell us as soon as your personal circumstances change, if these will have an affect on your ability to meet your repayments.
- All the information we provide to you will be clear and easy to understand and will be aimed at helping you deal with your payment difficulties.

How we can help each other

- If you find yourself in financial difficulties, or you are having problems keeping up current or future repayments, you should

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let us know as soon as possible, and stay in contact with us. The sooner we discuss your problems with you, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.

- If you do not stay in contact or avoid our efforts to contact you, it may be more difficult for us to help you.
- If you are in financial difficulties, we will:
 - Clearly explain our procedures aimed at helping you.
 - Discuss with you your options, and their implications.
 - Ensure that your individual circumstances are taken into account.
 - Consider whether the causes of the arrears are temporary or long-term, and whether you may be able to pay the arrears in a reasonable time.
 - Provide you with a contact point, in case you have any questions.
 - Ask you, in certain circumstances, to complete an income and expenditure form setting out your financial circumstances. We will check that it is reasonable by asking you, for example, for some of your payslips and/or bank statements.

- Consider with you a repayment plan which is realistic and appropriate, given your circumstances, and which is aimed at helping you remain in your home wherever possible.
- Keep in contact with you on a regular basis.

- If we propose to send someone to discuss your situation with you at home for the first time (for example, to gather information or agree a repayment plan), we will let you know in advance and ensure that their role is clearly explained to you.

Agreeing a repayment plan

- Examples of repayment plans we may discuss with you include:
 - arrangements to repay arrears over a longer period of time;
 - changing the date of the second charge mortgage repayment or the method by which payment is made;
 - extending the term of the second charge mortgage;
 - changing the type of second charge mortgage;
 - deferring the payment of interest due under the second charge mortgage; or
 - capitalising the arrears (adding the arrears to the capital balance of your loan on which interest will be charged).

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- When agreeing a repayment plan, we will make sure that you:
 - have sufficient time to consider the proposal in detail so you can understand what it means, and its implications (for example, how it will affect your monthly payments) and raise any questions with us;
 - are left with enough money to pay other priority commitments and reasonable day-to-day expenses; and
 - are aware of the consequences of failing to adhere to the agreed plan.
- We will not take court action where a reasonable repayment plan has been agreed and you are sticking to it.
- Citizens Advice www.citizensadvice.org.uk
- National Debtline www.nationaldebtline.org
- Shelter www.shelter.org.uk
- Stepchange www.stepchange.org; or
- Money advice centres.
- We provide dedicated contact points within our teams who handle customer arrears, and who will deal with enquiries from independent advice agencies so that they can be dealt with efficiently. You may want to speak to one of these advice organisations before we agree a repayment plan.

Free and independent advice

- If you are in financial difficulties, you can get free and independent help and advice from debt counselling organisations. Once you tell us that you are in financial difficulty, we will tell you about these debt counselling organisations. We strongly encourage you to make contact with them. They can also help you with any payment protection insurance and/or state benefit claims. If you give us your permission, we will work with debt counselling organisations including:

Administration of your account

- Our staff are properly trained to deal with your case sympathetically and positively. They are committed to trying to agree a suitable repayment plan with you, based on your individual circumstances. If a case needs to be referred to another part of the company, this will be done quickly and efficiently and the staff involved will be made aware of any arrangement already made with you. You will not need to repeat your circumstances each time you contact us, unless they have changed.

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- We will not harass you or put you under unnecessary pressure through excessive phone calls or correspondence. This will apply also to any third party agents acting on our behalf. But we do expect to be able to contact you at reasonable times and for you to be prepared to discuss matters with us or arrange a convenient time for a call back. You will be able to speak to us outside standard office hours, and we will advise you of our office opening times and of the fact that telephone calls may be recorded.
- We will make sure that we deal with your telephone calls efficiently and that any waiting times are kept to a minimum.
- We will deal with people you have asked to act on your behalf, if we have your written and signed permission to do so, and unless those people behave unreasonably. We will also tell you what information we will pass to the credit reference agencies about your account, if we agree a repayment plan with you.
- If we are aware that you have a long-term health difficulty, we will make sure that we:
 - limit the number of times you or the person you have authorised to act on your behalf needs to provide details of your condition;
 - accept appropriate evidence of your condition when considering your financial difficulties and the options available to you; and
 - comply with the Money Advice Liaison Group's Mental Health Awareness Guidelines.
- We will:
 - Tell you if we pass your account to someone else to collect the overdue payments on your second charge mortgage, such as a debt collector or solicitor. If we do this, we will only choose firms which follow the Credit Services Association Code or the Office of Fair Trading's debt collection guidelines.
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Charges

- We will advise you of any charges we may make while your account is in arrears. We recognise the difficulties you may be facing in meeting your second charge mortgage repayments. If a fee is charged to your account, this will represent the reasonable cost of the additional administration required.

Sale of the property

- If it has not been possible to arrange a repayment plan, we may allow you to sell your property rather than us taking possession proceedings. This will be considered taking into account your commitment to sell and how quickly a buyer can be found.

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Where we agree to do so, we will require a copy of the particulars of sale, and details of purchase offers received. You will provide us with details of the estate agent and the conveyancer instructed to deal with the sale. You will also authorise the estate agent and the conveyancer to communicate with us about the progress of the sale. Second charge mortgage interest and associated fees will continue to accrue during the sales process and you will be responsible for these.

Possession Action

- If we are unable to agree a repayment arrangement, or if you fail to comply with a plan we have agreed, then we may start possession proceedings. If this happens, we will make every reasonable effort to keep in touch with you until and after the court hearing, to try and avoid the need for possession. You may want to seek independent advice about the legal process.
- If you have any other mortgages on your property, we will try and make contact with the lenders to let them know the action we are taking.
- You may also want to contact your local authority as soon as possible, to find out if you might be eligible for local authority housing.
- If possession is taken, your property will be put on the market as soon as possible to minimise the mortgage interest continuing to accrue to your account. We will review the

marketing of your property on a regular basis, to strike a balance between achieving the best price possible for the property and the costs you are incurring while waiting for a sale. We will take into account any legitimate reasons for deferring the sale.

- We will tell you if there is a surplus once the balance of the second charge mortgage and any other priority debts have been paid. Any surplus will be paid to you. It is therefore important that you keep in contact with us. If the sale price is less than the debt, we will inform you what the shortfall is, and how this will be recovered.

Complaints

- If you want to make a complaint, you should contact us first, using our complaint procedure.
- We will try to sort out your complaint quickly once you have contacted us. We will acknowledge your complaint within five business days. If we need to investigate your complaint further in order to respond fully, we will tell you and keep you regularly updated. If you are not satisfied with the outcome of your complaint, you may be able to refer your case to the FLA Conciliation Scheme or the Financial Ombudsman Service (FOS). We will give you their details, and a copy of the FOS explanatory leaflet, in the final response letter for the complaint.

About FLA

We are the biggest UK representative organisation for the UK consumer credit and asset finance sectors. Our members include banks, subsidiaries of banks and building societies, the finance sections of leading retailers and manufacturing companies, and a range of independent firms. They provide a wide range of facilities, including finance leasing, operating leasing, hire purchase, conditional sale, personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store-card facilities.



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