



Money and Mental Health response to the FCA's consultations on temporary financial relief for customers impacted by coronavirus

Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems. This consultation response draws on an online survey of the Research Community carried out between 20-30 March, exploring the emerging impact of coronavirus on people's mental and financial health.

We are pleased to see the FCA acting quickly and publishing draft guidance for credit card, overdraft and personal loan providers. In this document we respond to the following three proposals:

- Credit cards (including retail revolving credit) and coronavirus: draft guidance and rules for firms
- Overdrafts and coronavirus: draft guidance for firms
- Personal loans and coronavirus: draft guidance for firms

Background

- In any given year, one in four people will experience a mental health problem.¹ However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.² The coronavirus crisis is exacerbating these difficulties, putting pressure on the nation's mental health and isolating many from support networks and services that they rely on to stay well.

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.



- People with mental health problems are more likely to be living on low incomes or in insecure work,³ and can experience a range of difficulties accessing the benefits system, which can make it harder to claim entitlements.⁴
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money significantly harder.⁵
- People with mental health problems are three and a half times more likely to be in problem debt as those without, and half (46%) of adults in problem debt also have a mental health problem.⁶
- Mental health and financial problems can form a devastating, self-reinforcing cycle. Over 420,000 people in problem debt consider taking their own life in England each year, and more than 100,000 people in debt actually attempt suicide.⁷

Consultation response

We welcome the quick action the FCA is proposing to limit the financial impact of coronavirus on consumers, and the emphasis on firms taking account of the particular needs of vulnerable consumers at this difficult time. The FCA should take three further steps to ensure that these measures are effective, and that vulnerable customers do not miss out on support:

- Extend the draft guidance on payment deferrals and fair pricing to cover all regulated credit products, including rent-to-own and car finance
- Further clarify expectations on what constitutes fair pricing in these exceptional circumstances, and take direct action on price if firms do not respond appropriately
- Clarify expectations on how firms should inform customers about these new support measures, to ensure that customers with mental health problems do not miss out on vital support.

Coronavirus has led to a sudden and drastic income shock for many consumers, which has caused immediate difficulties keeping up with credit payments for some. There is a clear risk of spiralling debt problems, with a long term impact on people's financial and mental health, if credit providers do not respond appropriately.

³ The Mental Health Taskforce. The Five Year Forward View for Mental Health. 2016; Braverman R, Bond N and Evans K. The benefits assault course. Money and Mental Health Policy Institute. 2019; Bond N and Braverman R. Too ill to work, too broke not to. Money and Mental Health Policy Institute. 2018.

⁴ Benefits

⁵ Holkar M. Seeing through the fog: How mental health problems affect financial capability. Money and Mental Health Policy Institute. 2017.

⁶ Ibid.

⁷ Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.



Research with the Money and Mental Health Research Community has found that six in ten (57%) respondents are worried about losing their job in the wake of coronavirus, while others have already lost jobs or had their hours cut.

"I lost my job and now can't get another one. I don't qualify for help or benefits and am afraid my money will run out."

Consumers with mental health problems often live on tight budgets, and many are worried that they will struggle to pay for essentials like food and energy, and to keep up with credit payments, if their incomes are squeezed. 56% of Research Community respondents are worried about creditors chasing them for money, while fewer than three in ten (28%) report not being concerned.⁸ Common symptoms of mental health problems can exacerbate this situation, making it practically more difficult for people to manage an income shock. For people experiencing low motivation or difficulties concentrating as a result of their mental health, adjusting budgets can be an onerous and stressful process.

"My income has ceased, I expect this to be the case for some months. I am extremely worried about my mortgage, utilities, loans etc and don't know what to do about it."

Payment deferrals

We welcome the FCA's proposal to introduce payment deferrals for customers who are struggling with personal loan or credit card payments as a result of circumstances relating to coronavirus. If communicated effectively, these measures could significantly limit financial detriment and relieve a major source of additional stress that is affecting consumers with mental health problems across the country.

The rationale for intervention here is clear, as consumers face extraordinary affordability pressures due to circumstances arising out of coronavirus, and payment deferrals seem a proportionate remedy. However, these affordability pressures are not limited to consumers' ability to keep up solely with credit card or personal loan payments. Payments on other products, including rent-to-own and car financing arrangements, will be just as difficult to manage for affected customers coping on a significantly reduced income.

If this protection is limited to certain credit products, rather than determined by consumer circumstances, this will leave consumers experiencing income shocks to make difficult budgeting decisions and some will cut back on essential spending to avoid missing credit payments.

⁸ D'Arcy C. Money and mental health at a time of crisis. Money and Mental Health Policy Institute. 2020.



“I’ve maxed my credit card and had to take out another one and can’t even afford the minimum payments.”

The FCA’s remedy should therefore be extended to cover all regulated credit products, to reflect these extraordinary circumstances.

The FCA should be mindful of the distributional impact of partial protections, particularly if high-cost credit products are excluded. Consumers who already experience affordability difficulties may be less likely to have access to the mainstream credit products which are covered by this proposed intervention, and so may miss out on any protection. It’s essential that this proposed support is extended to shield vulnerable consumers.

Fair pricing

We welcome that the FCA has clarified its expectations in relation to credit card rates and overdraft interest rates, in the light of the exceptional circumstances arising out of coronavirus. The impact of coronavirus, however, will extend beyond credit cards and overdrafts. To reflect this, the FCA should produce similar guidance for all credit products. That guidance should detail the outcomes that the FCA does not want to see, in order to help firms understand their Principle 6 obligations.

It is welcome that the FCA has drawn attention to the high credit card rates that are commonly offered to people with low incomes or poor credit ratings. Charging these consumer groups high interest rates at this time may be particularly likely to cause detriment. The FCA should be clear in its guidance to credit providers that charging high interest rates to consumers with low incomes or poor credit ratings at this time will not be considered fair.

The FCA should also pay close attention to the pricing of credit products, as it is likely that many consumers will use credit products as their incomes are disrupted by coronavirus. If firms employ unfair practices, there is significant potential for harm. To guard against this, the FCA should closely monitor prices in the market and make it clear that it will intervene to cap interest rates if firms do not respond appropriately.

Impact on credit files

We welcome the FCA proposal that there should be no negative impact on the credit files of consumers who take advantage of these new protections. Money and Mental Health research consistently finds that some consumers with mental health problems are reluctant to disclose problems or access support that they are entitled to, due to worries about an adverse impact on

their ability to access credit.⁹ Consumers may be particularly keen to protect their access to credit if they are worried about an income shock, so any uncertainty about the terms of these new protections could dissuade consumers from accessing support.

Effective communication

We welcome the FCA proposal that firms must clearly communicate details about these proposed support measures, and should take account of the particular needs of their vulnerable customers when implementing this guidance. To ensure that vulnerable consumers are able to access this support, the FCA should provide further guidance about how firms should communicate with their customers.

The FCA should be clear that firms must proactively communicate with customers about this new support, rather than simply publishing information. Relying on customer action to find this information would systematically disadvantage those who are less able to advocate for themselves and customers who are less confident accessing information digitally. One in four (25%) Research Community respondents agreed it was difficult for them to access essential services if they can't leave the house,¹⁰ and people with mental health problems often report difficulties navigating financial service providers' websites to find information.¹¹

"It's a living hell, trying to navigate through pages online or multiple phone options, only to be redirected to a different number or page."

Identifying those at risk of detriment and proactively offering support

We would also like to see the FCA working with providers to encourage them to use data to identify those at particular risk of distress and proactively offer support. Recent Money and Mental Health research has demonstrated the public acceptability of proactive, data-driven interventions by financial services providers - for example, reaching out to offer support where a current account provider can observe that a customer's main income has disappeared or drastically reduced.¹² Using data to proactively inform customers of support measures could be more effective than blanket mailouts or emails, which customers experiencing mental health problems may struggle to engage with.

⁹ Bond N. Credit scores - a lasting reminder of poor mental health. Money and Mental Health Policy Institute. 2017. <https://www.moneyandmentalhealth.org/credit-scores-lasting-reminder-poor-mental-health/>

¹⁰ D'Arcy C. Money and mental health at a time of crisis. Money and Mental Health Policy Institute. 2020.

¹¹ Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2019.

¹² Holkar M and Alpin K. Data protecting. Money and Mental Health Policy Institute. 2019.