Money and Mental Health's submission to the Financial Conduct Authority's consultation on Strengthening Protections for Borrowers in Financial Difficulty: Consumer Credit and Mortgages

Introduction

The Money and Mental Health Policy Institute is a research charity established in 2016 by Martin Lewis to break the link between financial difficulty and mental health problems. The Institute's research and policy work is informed by our Research Community, a group of 5,000 people with lived experience of mental health problems or of caring for someone who does. This written submission has been informed by this powerful, lived experience testimony and our wider body of research.

As part of this consultation response, we draw on our research over the last seven years, specifically Research Community members' experiences navigating financial services. In addition to this response, we recommend the Financial Conduct Authority (FCA) review our report Access Essentials. This report considers the difficulties customers experiencing mental health problems can face when accessing essential services, and looks at the steps regulators and firms should take to address these challenges.

This consultation concerns the FCA's proposed changes to the '*Consumer Credit Sourcebook'* (CONC) and the '*Mortgage and Home Finance: Conduct of Business Sourcebook'* (MCOB). These sourcebooks provide rules and guidance to firms that supply consumer credit, mortgages, and home finance. This consultation focuses on proposed changes to both sourcebooks.

Background

- In any given year, one in four people will experience a mental health problem which can affect their cognitive and psychological functioning.[1] Over a lifetime, this proportion rises to nearly half the population.[2]
- Common symptoms of mental health problems, such as low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money significantly harder.[3] As a result, it is estimated that people with mental health problems pay up to £1,550 more per year for essential services than people without mental health problems.[4]

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[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] Mental Health Foundation. Fundamental facts about mental health. 2016.
[3] Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.
[4] Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.

- People with mental health problems are three and a half times more likely to be in problem debt than those without, and half (46%) of adults in problem debt also have a mental health problem.[5]
- Mental health and financial problems can form a devastating and 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 problem debt attempt suicide.[6]
- The cost of living crisis is exacerbating this toxic cycle between money and mental health problems. National polling carried out in June 2023 found that nearly eight in ten (78%) UK adults who had experienced a mental health problem in the last two years reported having felt anxious, filled with dread or unable to cope due to the rising cost of living.[7]
- This was particularly acute for some, with one in six (18%) saying they had experienced suicidal thoughts or feelings due to the rising cost of living. That share was even higher for those with existing mental health problems, rising to half (49%) of those who had experienced a mental health problem in the last two years.[8]

Question 1: Do you agree with our proposed changes to the scope of: a. CONC 5 & 7? b. MCOB 13?

Existing rules in chapters CONC 5 & 7 and MCOB 13 are primarily about how firms should treat and support customers who have already missed a payment. The current wording in these chapters requires firms to move from a position where firms must "*deal fairly with any customer who has a payment shortfall*" to a position where they must "*deal fairly with any customer who has or may have payment difficulties.*'

In practice, this includes firms providing the appropriate support where customers indicate to a firm that they are at risk of not meeting one or more repayments when they fall due. It also includes urging firms to use customer information where they have it already available, for example, a pattern of repeat overdraft use or information from a third-party such as a debt advisor, to proactively identify where a customer might be struggling financially and offer support.

We support the proposed extension of fair treatment to those in, or at risk of, payment difficulties. This would help to identify and engage with customers who might be struggling with

[5] Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.
[6] Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.
[7] Bond N. Breaking the cycle: the cost of living and how to support people with mental health problems. Money and Mental Health Policy Institute. 2023.
[8] Bond N. Breaking the cycle: the cost of living and how to support people with mental health problems. Money and Mental Health Policy Institute. 2023.

their bills at an earlier stage. Such changes could be a real benefit to people with mental health problems, in particular, who are more likely to be in financial difficulty, but can equally find it trickier to disclose when they're struggling or reach out for help.[9]

Some common symptoms of mental health problems can make engaging with a lender about debts incredibly challenging. For example, low motivation and poor self-esteem can make advocating for yourself difficult, while problems processing complex information can make understanding the support available to you feel impossible.

Members of our Research Community have told us about how they delayed getting in touch with their lender or asking for support. When a person struggles to resolve their situation, fears of further financial harm upon disclosure of financial difficulty and stress driven by poor or aggressive communications from lenders can all drive disengagement. While people stay silent, the growing burden of debts can continue to take a significant toll on their mental health.

"I put things off as long as possible and get stressed – this leads to me developing a stutter when I talk to people. If things don't go according to the script in my head I either burst into tears or get aggressive and have to put the phone down." - Expert by experience

The onus should not be solely on the customer to disclose when they are experiencing financial difficulty. Given these challenges faced by people with mental health problems, **we welcome the proposed guidance for MCOB 13**, which stipulates that firms should offer support to a customer when they become aware that they are, or maybe, at risk of missing mortgage payments, even where the customer has not told them this.

However, these changes should result in firms contacting a wider population of customers experiencing payment difficulty. Consequently, the FCA should be especially aware of the need to protect these customers from the harm that can come with increased lender communications. As the consultation document highlights, firms have discretion in how they engage with customers to communicate that support is available if needed. Firms *can* be incredibly helpful to customers if they prioritise providing support and reflect this in the nature and tone of any communications. But equally, poor messaging from firms can be damaging and counterproductive, pushing further distress onto those already struggling.

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[9] Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021

Our research has shown that messaging from lenders can be a source of dread, fear and even suicidal thoughts or feelings.[10] For those with existing mental health problems, the impact is even more severe. In recent polling, we found that people with mental health problems were three times more likely to feel dread about opening letters from creditors than the population at large.[11]

Indeed, some Research Community members who are behind on several different bills due to the soaring cost of living have reported that they are contacted by multiple creditors several times a day and that this feeling of bombardment can leave people feeling overwhelmed and exacerbate their mental health challenges.

"They keep sending letters about legal action even though I try to pay what I can every month. It causes tremendous damage to my mental health so much that I became suicidal" - Expert by experience

Building on current guidance to require firms to support a wider population of customers creates an opportunity to break the toxic cycle between financial difficulties and mental health problems at an earlier stage. Yet this must be carefully balanced. While widening the group of customers who receive communications about payment shortfall opens up opportunities for earlier support, it also increases the number of debt communications customers receive and risks people feeling overwhelmed by distressing messaging.

To ensure that these proposed changes result in improved outcomes for customers in, or at risk of, payment difficulties, the FCA should:

- Monitor how firms communicate with customers who have missed payments or are at risk of doing so, and be clear about what good and bad practice looks like.
- Underline to firms their duties to treat vulnerable customers and those in financial difficulty fairly and harshly penalise companies failing to do so.
- Urgently explore how to reduce the damaging pressure customers who have fallen behind on payments feel, including introducing new limits on the number of times creditors can contact people in debt within a given window.

Question 2: Do you agree with our proposals to include a new Handbook rule and associated Handbook guidance, covering the reviews of the effectiveness of policies and procedures: a. in CONC 7? b. in MCOB 13?

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[10] D'Arcy C. Bombarded: reducing the psychological harm caused by the cost of living crisis. Money and Mental Health Policy Institute. 2022

[11] D'Arcy C. Bombarded: reducing the psychological harm caused by the cost of living crisis. Money and Mental Health Policy Institute. 2022

Question 2 proposes changes to the guidance in CONC 7 and MCOB 13, to require firms to ensure the *effectiveness* of policies and procedures concerned with customers in or at risk of payment difficulty. This would include firms undertaking reviews of these policies at 'appropriate intervals', to create flexibility and a more outcomes-driven - rather than process-driven - approach.

We agree that ensuring firms' policies to support customers at risk of payment difficulty are as effective and responsive as possible is essential. More timely and outcomes-centred reviews of such policies could work towards this. People with mental health problems are at greater risk of financial difficulty than the wider population as a result of symptoms of their condition, such as problems with their working memory or increased impulsivity. [12] Measures that ensure firms' policies are effective at supporting those at risk of payment difficulty will benefit many consumers, especially those struggling with mental health problems.

We believe an approach encouraging firms to focus more closely on outcomes rather than process is valuable. It's likely to be particularly so for consumers with mental health problems, who regularly experience worse outcomes when accessing, using and paying for financial products and services, leading to financial and/or psychological harm.[13]

External shocks, like the Covid-19 pandemic or the recent energy crisis, can heap more pressure on those already struggling. This particularly applies to people with mental health problems, who, on average, have lower financial resilience than the population at large and tend to fare worse during periods of crisis.[14]

We welcome the requirement for firms to do more to consider how such external or internal shocks might impact the effectiveness of their policies on customers in payment difficulty, and greater flexibility to enable a more timely review of policies is therefore needed. Effective supervision and regular reviews by the FCA will be required to avoid the risk that increased flexibility could mean firms decrease their monitoring of these policies.

Question 3: Do you have any comments on our updated references to the fair treatment of vulnerable customers: a. for CONC 7? b. for MCOB 13?

We support the proposal to replace the existing, narrowly-drawn expectations on vulnerability in CONC 7 and MCOB 13 with a reminder to firms that they should have regard to the updated guidance set out in FG21/1 on the fair treatment of vulnerable

[12] Money and Mental Health Policy Institute. The Facts. (Accessed 27/07/23).
[13] Holkar M, Evans K and Langston K. Access essentials: giving people with mental health problems equal access to vital services. Money and Mental Health Policy Institute. 2018.
[14] Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021.

customers. FG21/1 works towards improving the outcomes of people with mental health problems, who are at a greater risk of financial harm.

Outcomes for customers experiencing mental health problems should not be consistently worse than those of other customers. Yet this is often still the case in financial services. It's estimated that people with mental health problems pay up to £1,550 more per year for essential services than people without mental health problems.[15] For example, in travel insurance, people with severe depression, such as those with a recent hospital admission, are charged on average three times more than someone with no medical condition.[16] This raises questions about whether many people with mental health problems are getting fair value. This is all the more important currently, as the rising cost of living will likely be exacerbating the impact of these unequal outcomes, with people with mental health problems among the hardest hit.[17]

Therefore, we support efforts to rectify these unequal outcomes by reminding firms that they must treat vulnerable customers fairly, including those with mental health problems, as outlined in FG21/1.

Question 4: Do you agree with our proposals to add to the existing list of forbearance options at: a. CONC 7.3.5G & CONC 5D 3.3(4)G?

We support adding an expanded list of examples of forbearance measures that firms may consider for customers who have or may have payment difficulties. This should include clarification that these examples are not exhaustive. **Reminding firms of the range of forbearance options available could encourage some firms to consider offering a wider range of forbearance options. However, this does not go far enough.**

The language in the proposed changes asks firms to *'consider'* an expanded, non-exhaustive list of forbearance measures. It is too vague and risks customers missing out on vital financial lifelines that should be available when they need them most. **We want the FCA to go further and require firms to demonstrate they have considered all forbearance options, proactively offered those that are suitable, and evidence why none of them are suitable, if that is the case. All this should take place before firms escalate arrears through the collections process.**

Why these changes are so important

[15] Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.
[16] Lees C. Written Off? Money and Mental Health Policy Institute. 2023.
[17] D'Arcy C. A tale of two crises: the cost of living and mental health. Money and Mental Health Policy Institute. June 2022.

Forbearance measures can make a significant difference to people overwhelmed by debt, and particularly those with mental health problems. People experiencing a mental health problem are three and a half times more likely to be in problem debt but are also more likely to find it more challenging to come to a debt solution.[18]

A double stigma exists around mental and financial health problems. In addition, the symptoms of mental health problems can make people reluctant or fearful to ask for support and face challenges in finding a viable debt solution. All the while, a solution is not found, interest and other charges continue to pile up, and overall debt increases, as does the impact of the debt burden on a person's mental health.

"Finding the courage to make the initial telephone call was by far the most difficult aspect of my experience and I procrastinated on it for some while as I was terrified of the prospect of being judged which exacerbated my mental health problems." Expert by experience

Proactively offering a range of forbearance options can support people with mental health problems to recover more quickly from financial difficulty. It also limits the toll that growing arrears might otherwise take on their mental and financial health if allowed to become entrenched.

People with mental health problems can find it more difficult to earn and manage their money, and are more likely to have a low income as a result.[19] The impacts of this are only amplified by the soaring cost of living. Many people with mental health problems may simply not have the money to cover their bills or any charges incurred and, as such, will require forbearance. Forbearances allows time and breathing space for people to access debt advice, work to improve their mental health, or wait for benefits payments.

"The cost of living crisis, along with the rise in interest rates, and lack of financial housing support as a disabled mortgaged homeowner, is impacting both my physical and mental health massively. I live in fear each and every day. [...] I have cut back on food already, which is impacting my health. [...] I have nothing left I can cut back on, falling into arrears with my energy bills as well, so I don't use my oven much now, just have quick and simple meals." - Expert by experience

Forbearance measures, like cancelling further charges or accepting reduced payments, can provide much-needed financial *and* psychological relief to those experiencing such acute financial difficulty.

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[18] Bond N and Holkar M. Help along the way. Money and Mental Health Policy Institute. 2020

[19] Bond N and D'Arcy C. Mind the income gap: Exploring the long term factors contributing to the 'mental health income gap'. Money and Mental Health Policy Institute. 2020.

Ensuring that forbearance is effectively reaching those who need it

Coupled with this, the FCA should require firms to evidence that they have more broadly exhausted all efforts to engage with the customer, including through the customer's preferred communication channel. Some modes of communication with firms can be a significant cause of distress to people with mental health problems. Three-quarters of whom have difficulty using at least one type of communication channel, and more than half (54%) struggle with communicating via the telephone, specifically.[20]

"I suffer with social phobia and I am unable to use the telephone which means I can't ring up energy suppliers or my landlord etc, to explain any problems I'm having with paying bills." - Experience by experience

Even where forbearance options are available, some customers will need help to engage with lenders to access them effectively. Firms should evidence they have collected the customer's communication preferences and engaged with customers via their preferred channel to ensure offers of forbearance reach those who need it.

We particularly welcome the push to encourage firms to consider whether an individual customer might be in vulnerable circumstances, for example, dealing with a mental health problem, and how this might impact on forbearance measures offered. In practice, for firms, this should include a thorough consideration of how they can encourage customers to disclose when they are experiencing a mental health problem. Creating supportive and encouraging environments for disclosure are beneficial for both firm and customer. Firms can learn more about a customer's individual circumstances and adjust their services according to the person's support needs, improving outcomes and engagement.[21]

Finally, we agree that it's important to ensure firms are giving due consideration to what forbearance measures are appropriate given the individual circumstances of the customer. This is to ensure customer understanding of the full implications of forbearance measures, and are able to agree on an option that is suitable for them which avoids leading to further harm.

b. MCOB 13.3.4AR?

[20] Holkar M, Evans K and Langston K. Access essentials: giving people with mental health problems equal access to vital services. Money and Mental Health Policy Institute. 2018.

[21] Fitch C, Holloway D and D'Arcy C. Disclosure environments: Encouraging consumers to disclose a mental health problem. Guide one in a series on mental health disclosure. Money and Mental Health Policy Institute. Money Advice Trust. 2022.

As outlined in part (a) of this question, forbearance measures can be a particularly vital lifeline to people with mental health problems, not just in relation to consumer credit, but mortgages, too. We support the addition of a wider range of examples of forbearance to remind lenders of the range of tools available to help customers with payment difficulties. But again, while we welcome new guidance ensuring firms employ a '*sufficient range of options to help customers',* our remaining concern is that firms are asked to 'consider' a variety of forbearance options. This language is too vague and may lead to a lack of action being taken to the detriment of the customer.

The recent 'Mortgage Charter', set out by the FCA and others to increase lender support for mortgagors, is broadly welcome. The Charter tweaks existing forbearance options and encourages customers to get in touch if they're struggling by guaranteeing that doing so will have no impact on their wider finances. Lenders covering at least 10% of the mortgage market are yet to join as signatories of the Charter.[22] Those lenders who have signed up are not *required* to evidence that they have considered whether any or all of the updated forbearance options the Charter outlines are suitable for a customer. This means that many customers struggling to cover their mortgage payments may miss out on forbearance measures that would otherwise be invaluable to them. **We therefore urge the FCA to *require* firms to evidence they have explored all forbearance options, offered forbearance where it is in the best interests of the customer, or evidence why none of them are suitable if that is the case.** This should replace the proposal to simply 'consider' the forbearance measures at their disposal.

Question 5: Do you agree with our proposals on the transparency and accessibility of forbearance options: a. to CONC at CONC 7.3.13A, CONC 5D 3.9G and CONC 5D 3.3G(7)? b. to MCOB 13.3.4C?

We support the proposal to add guidance to CONC 5 & 7 and MCOB 13 that firms should offer to engage with customers through multiple different channels, and to give customers the option to change that channel when they feel necessary.

Engaging with a firm when you're in financial difficulty can be a stressful and worrying experience, especially when you're struggling with your mental health. Nearly four in ten (37%) people with mental health problems experience significant anxiety, to a level indicative of at least a mild phobia, when dealing with essential service providers, including banks and other lenders.[23]

For people with mental health problems, inaccessible modes of communication with firms can be a significant cause of distress. They can also contribute to exacerbating financial difficulties if a

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[22] https://www.gov.uk/government/publications/mortgage-charter/mortgage-charter

[23] Holkar M, Evans K and Langston K. Access essentials: giving people with mental health problems equal access to vital services. Money and Mental Health Policy Institute. 2018.

person's money problems grow while they struggle to access support. Three quarters of people with mental health problems have difficulty using at least one communication channel.[24] In particular, more than half (54%) struggle with communicating via the telephone.

The reasons for this can also differ significantly. The common psychological and cognitive symptoms of mental health problems mean that for some processing complex information is a challenge, while others might find they have difficulties with their working memory and so prefer to have things written down.

"I find making phone calls extremely stressful, when my mental health is at its best, but impossible when my depression gets worse." - Expert by experience

Transparency around the range of communication channels offered by firms is essential. Yet, firms also need to be explicit in openly publicising the range of communication channels they offer. Some customers may need or prefer to use a specific communication channel, but may be unaware of the delivery channel options available to them. Channel options should be set out clearly, including in a prominent location on the firm's website.

We recommend the FCA go further and add to CONC 5 & 7 and MCOB 13 a requirement for firms to include this information about the communication channels available when they are proactively contacting customers, reminding customers of the choice they have rather than routing them down specific channels automatically. This is particularly important when firms are contacting customers who have missed, or are at risk of missing, payments. It's vital that customers who are struggling know that there are multiple ways of getting in touch, so that they are encouraged to engage with firms and access support available.

This applies to transparency around the range of forbearance measures firms are willing to consider, too. **We welcome the addition of crucial guidance that requires firms to set out the forbearance measures they're willing to consider clearly and transparently for customers to view. This should also include a requirement in CONC 5 & 7 and MCOB 13 for firms to share this information when they contact customers about payment difficulties, not just on their website.**

Mental health problems can make someone more likely to be in financial difficulty. They can also make knowing and understanding what support measures are available tricky, too. A lack of clarity from firms around the kinds of support on offer can compound these challenges. Firms should be

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[24] Holkar M, Evans K and Langston K. Access essentials: giving people with mental health problems equal access to vital services. Money and Mental Health Policy Institute. 2018.

aware that many customers won't know about forbearance or may be reluctant to ask for it. That is why it's crucial that firms are clear and transparent about the forbearance measures they are willing to consider, both on their website and when they proactively contact customers. Being able to easily and clearly identify what options are available for consideration, and the different ways to get in touch with a lender, would benefit all customers, but especially those struggling with their mental and financial health.

Question 6: Do you agree with our proposals relating to effective customer engagement and communication around money guidance and debt advice:
a. in CONC 7.3.7A? b. in MCOB 13.3.2AR?

We welcome the proposal to incorporate Tailored Support Guidance (TSG) on the clarified expectations around debt advice referrals into the Handbook. These expectations are that firms should help customers understand what types of free and impartial debt advice and money guidance are available, and to refer or signpost them to it if it meets their needs and circumstances.

We also agree with the proposal to further supplement this guidance on customer referrals to debt advice with the following, which would mean that firms are required to:

1. Inform the customer that they can access advice through a range of delivery channels
2. Effectively communicate the potential benefits of accessing advice
3. Consider the individual circumstances of the customer, including whether they would benefit from specialist sources of debt advice
4. Have regard to guidance on debt advice referrals from the Money and Pensions Service Strategic Toolkit.[25]

These strengthened expectations and supplemented guidance should support firms to make more timely, appropriate and effective referrals to debt advice for those customers experiencing a mental health problem in particular. People with mental health problems are three and a half times more likely to be in problem debt and can face additional barriers to accessing debt advice. These strengthened expectations could specifically benefit people with mental health problems.[26]

The common symptoms of many mental health problems can make reaching out for advice incredibly difficult. Low motivation or difficulties with communication or problem solving can make it difficult for people with mental health problems to advocate for themselves and reach out for help. Our research has shown that four in five people with mental health problems (79%) found it difficult

[25] https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/01/creditor-toolkit-2021.pdf
[26] Money and Mental Health Policy Institute. The Facts. (Accessed 27/07/23).

to prepare themselves to make contact with their debt advice provider.[27] As a result of these challenges, people with mental health problems can often put off asking for money advice until their mental and financial health deteriorate much further, making the debt problem itself more complex to solve.

The cognitive and psychological symptoms of mental health problems, such as difficulties processing complex information and impaired clarity of thought, can make choosing the right debt advice service difficult too. Understanding the different debt advice services on offer and picking the right one for an individual's needs can be incredibly challenging.[28]

Lenders can play a vital role in helping customers to understand what options for money advice are available and which is the most suitable based on the individual's circumstances.

"Because of my mental health problems I found it very hard to pick up the phone and speak with someone. When I did, the person on the other end of the phone wasn't always very understanding and made me feel ten times worse. This put me off proceeding for some time before I had the courage to pick up the phone again and speak with someone else." - Expert by experience

Ultimately, we welcome the addition of guidance to the CONC and MCOB Handbooks which improves access to free, impartial and effective debt advice for people with mental health problems.

Question 8: Do you have any comments on these consequential amendments: a. in CONC? b. in MCOB?

Yes, we support the update of CONC 5 and MCOB to reflect the references to the FCA's Vulnerable Customer Guidance, and in line with the new Consumer Duty.

Question 19: Do you agree with our proposal to change and extend the scope of the rules in MCOB 13.4.1R and MCOB 13.5.1R to ensure more timely disclosure of information on any payment shortfall?

The existing guidance in MCOB 13.4.1R and MCOB 13.5.1R stipulates that firms should only actively provide information about payment shortfalls to customers who are in defined 'arrears' (i.e. has missed two or more monthly payments). The proposed guidance would expand this and require firms to provide a regular information statement to customers who are in any amount of payment shortfall, regardless of whether this is defined as 'arrears' or is incurring charges.

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[27] Bond N and Holkar M. Help along the way. Money and Mental Health Policy Institute. 2020
[28] Bond N and Holkar M. Help along the way. Money and Mental Health Policy Institute. 2020

We generally support the FCA's proposal to amend the scope of MCOB 13.4.1R so initial information about missed payments is provided earlier, once a customer is in payment shortfall (by any amount), rather than waiting until they have missed the equivalent of at least two monthly payments. Broadening the scope of who firms should target support to has the potential to be a powerful change to prevent and reduce financial harm, especially among the one in four of us with mental health problems. **To ensure this change is effective in its aims of providing support to a wider group of people, consideration should be given to the risk of this proposed change inflicting further psychological harm on customers in vulnerable circumstances through increased lender communications.**

People with mental health problems are more likely to be struggling with keeping up with bills, but equally can find it more tricky to engage with lenders and disclose financial difficulties.[29] Low motivation, social anxiety, or worry about the consequences of disclosure, can all be barriers that prevent people reaching out. Members of our Research Community frequently tell us about how they have waited until their financial situation grew worse before they got in touch with their lender or asked for support. Some have expressed regret about not contacting lenders earlier.

Lenders proactively reaching out to customers who are in shortfall, but not yet in arrears, can work to overcome some of the barriers that many people with mental health problems face to communicating with their lender before their debt grows. Ensuring the more timely disclosure of information and support available can prevent or minimise the risk of financial harm to this group and others in vulnerable circumstances.

However, the realisation of these benefits is entirely dependent on lenders contacting customers in a way that is supportive and maximises the chances of customer engagement. **The FCA should be mindful of the need to strike a balance between providing people with clear and relevant information in a timely manner, and the worry and fear people can feel when receiving communications about debts.** Particularly as our research found that over a third (35%) of people with mental health problems felt dread about opening letters from creditors, compared to less than one in five (19%) of the general population.[30]

"They keep sending letters about legal action even though I try to pay what I can every month. It causes tremendous damage to my mental health so much that I became suicidal" - Expert by experience

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[29] Bond N. Breaking the cycle: the cost of living and how to support people with mental health problems. Money and Mental Health Policy Institute. 2023.
[30] Bond N. Breaking the cycle: the cost of living and how to support people with mental health problems. Money and Mental Health Policy Institute. 2023.

As a result of the rising cost of living, people are finding it increasingly difficult to keep up with bills and payments. Those with mental health problems are at the sharp end of this squeeze to their finances.[31] Housing costs are often prioritised over other debts and expenses because of the devastating risk associated with falling behind on these payments - losing the roof over your head.[32] Therefore, those with housing payment shortfalls may have already accumulated other problem debts, and may be being contacted about missed payments from multiple creditors.[33]

Members of our Research Community have told us about the devastating consequence of repeated contact by multiple creditors, leaving people feeling bombarded and scared. For some, the tone and layout of communications from creditors was particularly distressing.

"Feeling harassed and persecuted. The sheer number of contacts scares me, it's almost as if they are threatening and bullying me into compliance. They have me at the point of not answering calls and removing my SIM so they can't contact me. I am becoming more reclusive as a result." - Expert by experience

Contacting a customer that is in payment shortfall on their mortgage at that early stage ultimately runs the risk of adding to the sense of bombardment from lender communications that people in problem debt might already be feeling, particularly when the shortfall is very small in value.

It's vital, then, that lenders are delivering information about payment shortfalls to customers effectively. When messaging from lenders is focused on protecting people from harm and is designed effectively, it can make a positive difference to people's budgets and mental health. But when handled poorly, these communications can heap more worry on those who are already struggling.

The FCA should:

- Carefully monitor how firms communicate with customers who have missed payments, and set out what good and bad practice looks like.
- Underline to firms the importance of supporting customers in vulnerable circumstances, and harshly penalise those failing to do so.

[31] D'Arcy C. A tale of two crises: the cost of living and mental health. Money and Mental Health. June 2022.
[32] Bond N, Evans K, and Holkar M. Where the heart is: Social housing, rent arrears and mental health. Money and Mental Health Policy Institute. 2018.
[33] Bond N, Evans K and Holkar M. Where the heart is: Social housing, rent arrears and mental health. Money and Mental Health Policy Institute. 2018.

- Urgently explore how to reduce the damaging pressure that customers who have fallen behind on payments feel, including the introduction of new limits on the number of times creditors can contact people in debt within a given window.

We urge the FCA to act to minimise the psychological damage that can be caused by contact from lenders. In particular, we are calling on the FCA to set clear limits on the number of times creditors can contact people in debt. In the context of the rising cost of living and soaring interest rates, this is more important than ever.