

Key considerations

The next phase of economic recovery from Covid-19 pandemic: Autumn 2020

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From the outset of the Covid-19 pandemic, the Credit Services Association has worked across the collections and recoveries sector to ensure best practice is maintained and that the best interests of customers are at the heart of our collective response.

The CSA has sought to provide support to our member firms as they adapted operations to cope with social distancing and safeguarding requirements – and to ensure that customer communications and arrangements took full account of the highly unusual circumstances, complying fully with Government and regulatory obligations and responding with understanding of the difficult challenges so many people have faced.

Over the course of this autumn period, public policy is moving to a new phase, most notably as direct Government financial support through furlough employment schemes and help for the self-employed is adapted into the new arrangements announced in the Chancellor's 'Winter Economic Plan'. Similarly, over this period we are due to see an end to the ban on rental repossessions and a move out of the mortgage and payment deferral phase brought in at the height of the pandemic. This is therefore an important moment for the collections and recoveries sector to demonstrate our adherence to the highest standards of professionalism and integrity, as we will be called upon to provide sensitivity to the circumstances facing customers and greater latitude and forbearance where appropriate.

We are aware that many of the long-standing assumptions and individual financial assessments of income and expenditure may well be changing as society adapts to living with coronavirus – and the CSA will endeavour to support member firms as they too adapt their approach. Ultimately we remain firmly of the view that customer dialogue and engagement is the best antidote to problem debts compounding into unsustainable circumstances and our member firms must strive especially hard to reach out and discuss issues with customers as early and as far as possible.

This 'Key Considerations' paper is intended to assist CSA member firms in navigating through this next phase of the economic recovery and ensuring that at all times firms' activities fully adhere to all relevant legal and regulatory requirements as well as the essential principles set out in the CSA Code of Practice.

a) Customer support

- It is likely that many customers will be facing ongoing employment and income uncertainties and firms should show awareness that a customer's situation could be in significant transition and take this into consideration, tailoring options for customers to their new circumstances using the array of flexibilities and tools currently available.
- Firms should be aware that the disruptive impact of the wider economic environment will mean that many customers may be in need of new advice, given their changing circumstances. Firms should therefore maintain their commitment to affording customers adequate time to consider their situation carefully and obtain appropriate debt advice. Firms should continue to help customers by signposting to free debt advice support wherever appropriate.
- Firms will be aware that the pattern of Government and legal requirements instituted across the UK has changed significantly since the March 2020 initial 'lockdown', with different approaches taken in England, Wales, Northern Ireland and Scotland – and frequently and increasingly local 'lockdown' practices tailored to individual towns and communities. We therefore encourage our member firms to put processes in place to ensure awareness of the

regional and local 'lockdown' approaches and to respond sensitively to the particular circumstances reported by customers which may vary from area to area and sector to sector.

- We reiterate the importance of existing practice and urge firms to discuss with customers their needs and circumstances, stressing that together we can find suitable resolutions and that firms want to assist and help. This should include the full range of options allowing customers to get back on the path to debt repayment, including payment plans, signposting towards advice on refinancing opportunities and reducing or waiving interest where appropriate.

b) Forbearance

- We would reiterate the best practices that our member firms are now very familiar with, set out in the CSA Code of Practice and implemented routinely by firms in the exercise of forbearance and ensuring that customers are not unreasonably put under pressure to make repayments but given suitable space and time to do so in a sustainable way.
- Customers will have other and possibly additional calls on their resources and firms should bear in mind the principles of respecting priority debts across the range of immediate and essential living expenses that households may face.
- Firms should work closely with customers who are nearing the end of their payment deferral arrangements in order to identify sustainable solutions going forward before customers miss payments.
- Where customers have taken up the option in recent months for payment deferral, we would encourage firms to make proactive contact with them to discuss their circumstances and signpost toward additional assistance if this is felt necessary.

c) Operations

- CSA member firms are by now familiar with protocols and requirements in respect of Covid secure working environments at office premises, and are mindful of Government recommendations on working from home where possible. We continue to urge firms to ensure their operations remain fit for purpose, compliant with Government [guidelines](#) on social distancing, health and safety, ensuring compliance with high standards of data protection and having regard to the often unforeseen pressures and stresses that may emerge for colleagues working away from an office environment. The Information Commissioner's Office has also produced [useful advice for companies](#) handling data and confronted with challenges associated with the pandemic which member firms may wish to consider.
- For those members firms that are regulated by the FCA, the FCA has produced a [range of statements and documents](#) setting out its expectations. In relation to firms' operations, it is worth noting that the FCA advises *"that firms should continue to follow Government advice on working from home until notified otherwise. Where office workers can work effectively from home, they should do so over the winter. Anyone else who cannot work from home should go to their place of work."*
- The financial services industry has continued to operate during the coronavirus pandemic with homeworking and some workers operating in locations such as branches and call centres.

- Clear customer communications continue to be of utmost importance and firms should ensure that engagement efforts and channels used are suitably reflective of the circumstances and regulations affecting households where contact is required.
- It is likely that regulatory and legislative rules may evolve over the coming period, and firms are encouraged to ensure that customers remain fully informed about the impact of these changes. For example, the FCA has planned that, following the end of the mandatory payment deferral offer period, further forbearance offered to customers will be reflected on credit files in accordance with normal reporting processes. The FCA have made it clear that this will help lenders have an accurate picture of consumers' financial circumstances and reduce the risk of unaffordable lending. We would therefore urge member firms to ensure that customers understand the credit file implications of any forms of additional support offered.

d) Litigation and enforcement

- Regulations have evolved in recent months in respect of certain enforcement measures, notably a decision by the Government to extend the notice period on rental possessions into the Spring of 2021. The original five-month coronavirus suspension of debt enforcement measures has now expired, meaning that enforcement action has recommenced.
- We urge CSA member firms to be aware of the need for enhanced forbearance during the ongoing pandemic this winter and encourage firms to ensure their decisions to litigate or enforce are fair and reasonable, and are subject to a robust and well-recorded decision-making process before proceeding. This is not least the case in relation to any bulk submission of claims (as we understand that courts are now again able to support the bulk submission of civil claims). CSA member firms should also keep in mind any possible impact of Covid-19 on customers by way of possible delays on defended work which require hearings. There appears to be a general expectation that future case volumes may be building among creditors and the Covid situation and possible impact on courts and court staff remain uncertain. Both the CSA and members firms are aware that how they approach litigation generally during the ongoing pandemic may be subject to increased scrutiny from both the media and regulators.
- If enforcement action becomes necessary we urge member firms to ensure that this is undertaken in line with the standards set out in [CIVEA's post-lockdown support plan](#).
- Any property attendance should be notified reasonably well in advance, providing ample opportunity for those that are shielding or at risk to make contact and discuss alternative arrangements. Property attendance should also comply with all social distancing requirements.

e) Vulnerability

- Making sure that customer vulnerabilities are considered in the collections process is now widely incorporated into the best practices followed by CSA members. Firms should endeavour to undertake as full an assessment as possible of customer circumstances and follow the latest FCA guidance where applicable.
- It is important that senior managers take time to review how customer vulnerability is recognised, identified and recorded as part of their operations.

- Firms should be prepared for increases in vulnerability, particularly as a consequence of the coronavirus, for example, the loss of employment, working hours being reduced, customers unable to work due to quarantine requirements, increased or exacerbated mental health problems, the need to care for someone who has contracted the virus, customers perhaps suffering with the virus themselves, and sadly also providing understanding and support where necessary where customers are dealing with bereavement.
- How firms respond to instances of vulnerability will be under close scrutiny by regulators and customers, and the CSA will continue to distribute updates and information on emerging policy developments in respect of vulnerability in order to help firms continually improve their practices.

f) Complaints and disputes

- Firms should make every effort to respond to customer complaints promptly and fully and maintain clear policies on handling disputes. Member firms should inform customers of their options if debts are disputed and told about their right to complain about collections conduct also via the CSA's complaint processes.
- Complaints by customers need to be taken seriously and firms should ensure that collections are placed on hold whilst disputes are investigated, in the normal manner.
- As the UK is enduring a prolonged period of highly unusual pandemic-related circumstances, managers will fully appreciate that additional periods of stress and anxiety are being experienced by many people - and that this will need to be understood and reflected when handling communications, complaints and disputes with customers.
- Where a member's complaint-handling capacity is impacted by Covid-19, due regard should be given to the [FCA guidance on complaint handling](#), in particular that firms should prioritise the appropriate resolution of complaints from customers likely to be vulnerable to harm or serious financial difficulties if their complaint is not resolved promptly and fairly, and should send timely communications to complainants where their complaint cannot be resolved promptly.
- Firms should make suitable efforts to comply with the timeframes and expectations of their own complaint process as well as those of the CSA and the Financial Ombudsman Service, where necessary. If there are factors likely to impact the firm's ability to do this, such as resourcing challenges, they should be clear up-front about this and set reasonable and fair expectations for the investigation and resolution of complaints.

g) Debt advice and support for customers

- Well informed and advised customers are far more likely to find resolution to their debt situation, and so it is in the interests of both firms and customers that, where necessary, access to debt advice is signposted by firms and staff convey to customers the importance of seeking advice.
- How firms signpost for debt advice will be increasingly important, and we encourage firms to look at their websites and communications to review the clarity of the information they provide.
- The wide-ranging impact of Covid-19 led many to anticipate an increased demand for debt advice once financial support was withdrawn. The steps taken so far appear to have prevented debt advice organisations from being overwhelmed by demand, but it remains a

possibility that the advice sector will see its customer volumes increase. At a time when they are also struggling to deliver face-to-face advice, often leaving some of the most vulnerable unsupported, CSA members should give this due regard when affording customers breathing space, acknowledging that some may face difficulties in accessing advice.

- CSA member firms are familiar with the need to provide time and space for advice to be taken by customers and are welcoming of Government initiatives to encourage 'breathing space' options to be given to customers across collections activities.
- As the regulator has pointed out, if a customer can afford to re-start payments it is in their best interests to do so. If customers can afford to make some repayments, even if it is a small amount then it is most often in their best interests that they should continue to do so. For those who have taken a payment freeze and can afford to start making payments, even partially, it is in their best interest to do so.

During this forthcoming autumn and winter period and prior to the much hoped-for rollout of vaccinations, the CSA and member firms are acutely aware that difficult economic circumstances are likely to emerge and in turn this will affect the collections process. These difficult economic circumstances are also likely to be accompanied by an increased focus on and interest in what our member firms do both as a sector and individually - and there may be increased public interest in how customers are treated in particular. There may also be increased regulatory scrutiny of members. This merely reinforces the importance of an awareness of and implementation by members of the key considerations set out in this document. CSA members must continue to show sensitivity and appropriate forbearance in line with all regulatory requirements – and always strive for constructive dialogue with customers as the best means of finding solutions suitable for all.

Useful guidance

- ICO guide on Data protection and working from home:
<https://ico.org.uk/for-organisations/working-from-home/>
- The ICO's updated regulatory approach in response to the coronavirus pandemic:
<https://ico.org.uk/media/about-the-ico/policies-and-procedures/2617613/ico-regulatory-approach-during-coronavirus.pdf>
- FCA Consumer credit and coronavirus: Additional guidance for firms (effective from 2 October 2020):
<https://www.fca.org.uk/publication/finalised-guidance/finalised-guidance-consumer-credit-coronavirus-additional-guidance-firms.pdf>
- FCA update following the recent coronavirus restrictions statements on Tuesday 22 September:
<https://www.fca.org.uk/news/statements/update-coronavirus-restrictions-statements>
- Updates to FCA advice on Key workers in financial services:
<https://www.fca.org.uk/firms/key-workers-financial-services>
- Update to Work-related travel – responsibilities of Senior Managers:
<https://www.fca.org.uk/news/statements/work-travel-responsibilities-senior-managers>
- Guidance Consultation and feedback statement: Guidance for firms on the fair treatment of vulnerable customers:
<https://www.fca.org.uk/publication/guidance-consultation/gc20-03.pdf>

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