

Abby Thomas
Chief Executive and Chief Ombudsman
Financial Ombudsman Service
Exchange Tower
London
E14 9SR

14 July 2023

Dear Abby,

HM Government's Mortgage Charter

I am writing to you in relation to the current economic environment and situation that many consumers are facing as costs rise for families and individuals in the UK and Northern Ireland.

In response to these challenges, we have seen the Chancellor of the Exchequer agreeing with a number of UK mortgage lenders a series of commitments, set out in the Government's 'Mortgage Charter'. The Mortgage Charter was published on the 26 June 2023 and can be found [here](#).

Signatories to the Mortgage Charter are operationalising the necessary changes at pace. We are working with firms so that they can offer these commitments to borrowers, in line with our expectations, as soon as possible. Today, we have issued a statement outlining temporary regulatory forbearance on MCOB 7.6.28R. We will highlight to the Ombudsman where we issue any further communications on the Charter and develop our supervisory approach.

Signatories have also agreed that borrowers will not be forced to leave their home without their consent, unless in exceptional circumstances, in less than a year from their first missed payment after 26 June 2023. In accordance with our existing rules, we expect all firms to only seek possession of a property if all other reasonable attempts to resolve the position have failed.

Following publication of the Charter, on 30 June 2023 we amended our Handbook to give effect to one of the commitments. These new options may be used by any lender for first charge mortgages (with the exception of bridging loans):

- (1) to offer their mortgage customers the option to reduce their capital repayments, potentially to zero and paying interest-only, for up to six months;
- (2) to reverse, fully or partly, a term extension of either a first charge mortgage or home purchase plan within six months of extending the term. Any such extension must not be beyond a borrower's retirement age.

Both options may now be offered once to a borrower, without a new affordability assessment. Other commitments within the Mortgage Charter do not require us to amend our Handbook. Lenders will still be required to consider appropriate forbearance arrangements for borrowers in financial difficulty.

We will review the impact of the rule changes within 12 months and will engage with the Ombudsman Service as part of this review.

In response to the Charter, some firms have raised concerns about how the Financial Ombudsman Service will consider complaints arising from the new Mortgage Charter, and whether or not the Ombudsman Service will take into account circumstances at the time of the complaint – such as the context of the agreement – when carrying out its independent statutory role.

I welcome the Ombudsman's statement on 30 June 2023, which confirmed that the Ombudsman Service will take the new commitments and the FCA's rules into account when you see cases related to the Mortgage Charter. I would also, in addition, be grateful if you could further confirm that in determining what is fair and reasonable in all the circumstances of the individual case, that you will take into account as appropriate any relevant operational challenges faced by firms given the rapid development of the Charter and the new options for borrowers it contains.

As ever, I would like to take the opportunity to thank you and your staff for your continuing collaboration with the FCA.

Yours sincerely,



Sheldon Mills

Executive Director of Consumers and Competition