

## Chapter 6

# Post contractual requirements

## 6.7 Post contract: business practices

### Application

#### 6.7.1

**R**

- (1) This section applies to a *firm* with respect to *consumer credit lending*.
- (2) ■ CONC 6.7.17 R to ■ CONC 6.7.26 R also apply to a *firm* with respect to *operating an electronic system in relation to lending* in relation to a *borrower* under a *P2P agreement* and references in those provisions to a *firm* refinancing an agreement refer to any action taken by an *operator of an electronic system in relation to lending* which has the result that a *P2P agreement* is refinanced.
- (3) ■ CONC 6.7.3AR to ■ CONC 6.7.3DG and ■ CONC 6.7.27R to ■ CONC 6.7.40G do not apply in relation to a credit card of a type that the *firm* promotes to *customers* solely for the purposes in each case of the *customer's business* (a “business credit card”).
- (4) ■ CONC 6.7.2R to ■ CONC 6.7.3G do not apply to *retail revolving credit*.
- (5) ■ CONC 6.7.3AR and ■ CONC 6.7.3BG do not apply to the extent that the *firm* follows the guidance entitled Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance, except where the guidance indicates that the *firm* should act in accordance with ■ CONC 6.7.3AR.

### Business practices

#### 6.7.2

**R**

- (1) A *firm* must monitor a *customer's* repayment record and take appropriate action where there are signs of actual or possible repayment difficulties.
- (2) This *rule* does not apply in relation to a credit card unless the card is a business credit card (see ■ CONC 6.7.1R(3)).

[Note: paragraph 6.2 of ILG]

#### 6.7.3

**G**

The action referred to in ■ CONC 6.7.2 R should generally include:

- (1) notifying the *customer* of the risk of escalating debt, additional interest or charges and of potential financial difficulties; and

[Note: paragraph 6.16 of ILG]

- (2) providing contact details for *not-for-profit debt advice bodies*.

[Note: paragraph 6.2 (box) of *ILG*]; or

- (3) where a *Debt Respite moratorium* is in effect for the *customer's* debt for the purposes of ■ CONC 6.7.2R, complying with its obligations pursuant to the moratorium, with respect to that *moratorium debt*.

### Business practices: credit cards and retail revolving credit

6.7.3A

R

A *firm* must monitor a *retail revolving credit customer's* or a credit card *customer's* repayment record and any other relevant information held by the *firm* and take appropriate action where there are signs of actual or possible financial difficulties.

6.7.3B

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- (1) Circumstances in which there are signs of actual or possible financial difficulties include where there is a significant risk of one or more of the matters set out in ■ CONC 1.3.1G(1) to (7) (Guidance on financial difficulties) occurring in relation to the *retail revolving credit customer* or credit card *customer*.
- (2) Examples of appropriate action as referred to in ■ CONC 6.7.3AR would include the *firm* doing one or more of the following, as may be relevant in the circumstances:
  - (a) considering suspending, reducing, waiving or cancelling any further interest, fees or charges (for example, when a *customer* provides evidence of financial difficulties and is likely to be unable to meet payments as they fall due or is only able to make token payments, where in either case the level of debt would continue to rise if interest, fees and charges continue to be applied);
  - (b) accepting token payments for a reasonable period of time in order to allow a *customer* to recover from an unexpected income shock, from a *customer* who demonstrates that meeting the *customer's* existing debts would mean not being able to meet the *customer's* priority debts or other essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills);
  - (c) notifying the *customer* of the risk of escalating debt, additional interest, fees or charges and of potential financial difficulties; and
  - (d) providing contact details for *not-for-profit debt advice bodies* and encouraging the *customer* to contact one of them.
- (2A) Where a *Debt Respite moratorium* is in effect for the *customer's retail revolving credit* or credit card debt and a *firm* is complying with its obligations pursuant to the moratorium, this is likely to constitute appropriate action in relation to that *moratorium debt* for the purposes of ■ CONC 6.7.3AR.
- (3) A *customer* paying the minimum amount required under the agreement is not, by itself, a sign of possible or actual financial difficulties under ■ CONC 6.7.3AR. It may, however, be such a sign where, for example, a *customer* with a pattern of paying more than the minimum required payment reduces the payments to the minimum required payment due, but their pattern of drawing down *credit* on the card does not materially change.

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|        |   | (4) In determining what is “appropriate action” under ■ CONC 6.7.3AR, a <i>firm</i> should take into account any steps it has taken under ■ CONC 6.7.30R, ■ CONC 6.7.31R or ■ CONC 6.7.37R.  |
| 6.7.3C | R | A <i>firm</i> must establish, implement and maintain an adequate policy for identifying and dealing with <i>customers</i> showing signs of actual or possible financial difficulties, even though they may have not missed a payment.  |
| 6.7.3D | G | The policy referred to in ■ CONC 6.7.3CR is in addition to the policy required under ■ CONC 7.2.1R.  |
|        |   | <b>Credit card and retail revolving credit requirements</b>  |
| 6.7.4  | R | <p>A <i>firm</i> must first allocate a <i>repayment</i> to the debt subject to the highest rate of interest (and then to the next highest rate of interest and so on) for:</p> <ul style="list-style-type: none"> <li>(1) the outstanding balance on a credit card; or</li> <li>(2) the outstanding balance on a store card; or</li> <li>(3) a credit card or a store card, in relation to which there is a <i>fixed-sum credit</i> element, to <i>repayments</i> beyond those required to satisfy the fixed instalments; or</li> <li>(4) a credit card or a store card, in relation to which the <i>customer</i> has opted to repay part of the outstanding balance in fixed instalments over a fixed duration, to <i>repayments</i> beyond those required to satisfy the fixed instalments.</li> </ul> <p>[Note: paragraph 6.3 of ILG]</p> |
| 6.7.4A | G | The <i>rule</i> in ■ CONC 6.7.4R(4) applies where a <i>regulated credit agreement</i> for a credit card or a store card provides the <i>customer</i> with the option of allocating one or more outstanding purchase or other types of transactions on their credit card or store card to one or more repayment plan repayable in fixed instalments over a fixed duration (in ■ CONC 6.7.4BR, ■ CONC 6.7.4CG and ■ CONC 6.7.4DG, such option to repay in fixed instalments is referred to as a “fixed instalment plan”).  |
| 6.7.4B | R | The <i>firm</i> must not offer the <i>customer</i> a fixed instalment plan unless, acting reasonably, it has concluded that such option is likely to be in the <i>customer's</i> best interests and the <i>firm</i> has taken reasonable steps to ensure that the <i>customer</i> is put in a position to make an informed decision regarding the exercise of such option.   |
| 6.7.4C | G | <p>Examples where it would not be considered reasonable for a <i>firm</i> to conclude that a fixed instalment plan is likely to be in the <i>customer's</i> best interests (in accordance with ■ CONC 6.7.4BR) include:</p> <ul style="list-style-type: none"> <li>(a) where the rate of interest that applies to cash transactions (this includes, among other things, cash withdrawals, purchases of travellers’ cheques or foreign currency, gaming transactions and other cash-like transactions obtained using a credit card or store card) is</li> </ul>   |

higher than the rate of interest applicable to other types of transactions on the *customer's* credit card or store card and the *customer* has a significant outstanding cash transactions balance (which is not included in the offer of a fixed instalment plan) or a recent history of carrying a significant cash transactions balance; and/or

- (b) where a *customer* is likely to be worse off by taking out a fixed instalment plan than if the *customer* does not take out the fixed instalment plan.

6.7.4D

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Examples of reasonable steps required by ■ CONC 6.7.4BR to ensure that the *customer* is put in a position to make an informed decision regarding the exercise of the option to take out a fixed instalment plan would include the *firm* doing the following:

- (a) providing a *customer* with information, clearly and in plain language, about the features, costs and implications of a fixed instalment plan to enable the *customer* to make an informed decision about whether a fixed instalment plan meets the *customer's* needs and financial situation. This may include illustrative examples of one or more typical fixed instalment plans designed to help the *customer* to understand the effect of setting up a fixed instalment plan and to compare costs. Illustrative examples could, where possible, be personalised to a *customer's* individual circumstances; and
- (b) explaining in clear terms to the *customer* the implications arising from a failure to make a fixed instalment plan payment. Where relevant, this should include explaining to the *customer* whether a failure to make a fixed instalment plan payment would be reported to a *credit reference agency* as a missed payment.

6.7.5

R

- (1) Subject to (4), a *firm* must set the minimum required *repayment* under a *regulated credit agreement* for a credit card or a store card at an amount equal to at least that amount which repays the interest, fees and charges that have been applied to the *customer's* account, plus one percentage of the amount outstanding.

[Note: paragraph 6.4 of ILG]

- (2) Where (1) applies and a *firm* applies interest to a period of more than one *month*, for the purpose of calculating the amount of the interest part of the minimum required *repayment* the *firm* may disregard any interest applied in respect of a period prior to the period of the statement in question.

[Note: paragraph 6.4 (box) of ILG]

- (3) Paragraph (1) applies to agreements made on or after 1 April 2011.
- (4) Paragraph (1) does not apply in circumstances where the *firm*, in order to allow the *customer* to defer (in whole or part) the making of *repayments* under the *regulated credit agreement* if they choose to do so in the circumstances and for the duration set out in the guidance entitled Credit cards (including retail revolving credit) and coronavirus: temporary guidance for firms, the guidance entitled

Credit cards (including retail revolving credit) and coronavirus: updated temporary guidance for firms or the guidance entitled Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance, varies or has varied the *regulated credit agreement* so as not to oblige the *customer* to make minimum required *repayments* for that duration.

6.7.6

**R**

A *firm* under a *regulated credit agreement* for a credit card or a store card must provide a *customer* with the option to pay any amount they choose (equal to or more than the minimum required repayment but less than the full outstanding balance) on a regular basis, when making automated *repayments*.

[Note: paragraph 6.5 of ILG]

6.7.7

**R**

A *firm* must not increase, nor offer to increase, a *customer's credit limit* on a credit card or *retail revolving credit agreement* where:

- (1) the *firm* has been advised that the *customer* does not wish to have any *credit limit* increases; or
- (2) a *customer* is at risk of financial difficulties.

[Note: paragraphs 6.6 and 6.7 of ILG]

6.7.8

**R**

A *firm* under a *retail revolving credit agreement*, or a *regulated credit agreement* for a credit card, must:

- (1) permit a *customer* at any time to reduce or decline offers to increase the *credit limit*; and
- (2) permit a *customer* to decline to receive offers of *credit limit* increases.

[Note: paragraphs 6.8 and 6.9 of ILG]

6.7.9

**R**

- (1) This *rule* applies to a *regulated credit agreement* for a credit card and to a *retail revolving credit agreement*.

- (2) A *firm* must notify the *customer* of a proposed increase in the *credit limit* under the agreement:

- (a) in the case of a *regulated credit agreement* for a credit card or a store card, at least 30 days before the increase comes into effect; and
- (b) in the case of a *retail revolving credit agreement* (other than an agreement for a store card), at least 28 days before the increase comes into effect,

except in the circumstances described in (3).

- (3) The notification in (2) is not required where:

- (a) the increase is at the express request of the *customer*; or

|        |   |   |
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|        |   | <p>(b) the increase is proposed by the <i>firm</i>, but the <i>customer</i> agrees to it at that time and wishes it to come into effect in less than 30 days or 28 days (as the case may be).</p> <p>[Note: paragraph 6.17 of <i>ILG</i>]</p>   |
| 6.7.10 | R | <p>Where a <i>customer</i> is at risk of financial difficulties, a <i>firm</i> under a <i>retail revolving credit</i> agreement or a <i>regulated credit agreement</i> for a credit card must, other than where a promotional rate of interest ends, not increase the rate of interest under the agreement.</p> <p>[Note: paragraph 6.10 of <i>ILG</i>]</p>   |
| 6.7.11 | G | <p>For the purposes of ■ CONC 6.7.7 R and ■ CONC 6.7.10 R a <i>customer</i> is at risk of financial difficulties if the <i>customer</i>:</p> <p>(1) is two or more payments in arrears; or</p> <p>(2) has agreed a repayment plan with the <i>firm</i> in question; or</p> <p>(3) is in serious discussion with a <i>firm</i> which carries on <i>debt counselling</i> with a view to entering into a <i>debt management plan</i> and the <i>firm</i> has been notified of this fact.</p> <p>[Note: paragraph 6.10 (box) of <i>ILG</i>]</p>   |
| 6.7.12 | R | <p>[deleted]</p>  |
| 6.7.13 | R | <p>Where a <i>firm</i> proposes to exercise a power under a <i>regulated credit agreement</i> for a credit card or store card to increase the interest rate, the <i>firm</i> must:</p> <p>(1) permit the <i>customer</i> sixty days, from the date of the <i>firm's</i> notice of the proposed increase during which period the <i>customer</i> may give notice to the <i>firm</i> requiring it to close the account;</p> <p>(2) permit the <i>customer</i> to pay off the outstanding balance at the rate of interest before the proposed increase and over a reasonable period; and</p> <p>(3) give notice to the <i>customer</i> of the rights in (1) and (2).</p> <p>[Note: paragraphs 6.11 and 6.19 of <i>ILG</i>]</p> |
| 6.7.14 | R | <p><b>Interest rate variations</b>.....</p> <p>Where a <i>firm</i> has a right to increase the interest rate under a <i>regulated credit agreement</i>, the <i>firm</i> must not increase the interest rate unless there is a valid reason for doing so.</p> <p>[Note: paragraph 6.20 of <i>ILG</i>]</p>  |

- 6.7.15** **G** Examples of valid reasons for increasing the rate of interest in ■ CONC 6.7.14 R include:
- (1) recovering the genuine increased costs of funding the provision of *credit* under the agreement; and
  - (2) a change in the risk presented by the *customer* which justifies the change in the interest rate, which would not generally include missing a single *repayment* or failing to repay in full on one or two occasions
- [Note: paragraph 6.20 (box) of *ILG*]
- 6.7.16** **R** Where a *firm* increases a rate of interest based on a change in the risk presented by the *customer*, the *firm* must:
- (1) notify the *customer* that the rate of interest has been increased based on a change in risk presented by the *customer*; and
  - (2) if requested by the *customer* provide a suitable explanation which may be a generic explanation for such increases.
- [Note: paragraph 6.20 (box) of *ILG*]
- “Buy now pay later” or similar offers**
- 6.7.16A** **R**
- (1) This *rule* applies only to *retail revolving credit* and *BNPL agreements* to which Part 6 of the *Payment Services Regulations* does not apply.
  - (2) Where a *customer* has the benefit of a zero-percentage or low interest, introductory or promotional offer that depends on the *customer* meeting certain conditions, a *firm* must provide notice to the *customer* reminding them of any action they need to take to meet the conditions of the offer and the date by which this action must be taken, within a reasonable period before that date, taking account of the time at which the information may be most useful to the *customer*.
- This notice must be provided in an appropriate medium (taking into account any preferences expressed by the *customer* about the medium of communication between the *firm* and the *customer*), in plain language and sufficiently prominent, so that it is likely to be seen and understood by the *customer*.
- Partial repayments under “Buy now pay later” or similar offers**
- 6.7.16B** **R**
- (1) This *rule* applies where:
    - (a) *BNPL credit* has been advanced to a *customer* under a *BNPL agreement*; and
    - (b) the *customer* makes a repayment:
      - (i) of part of the *BNPL credit*;
      - (ii) on or before the date provided for in the *BNPL payment condition* that applies to that *BNPL credit*.



- (2) The *BNPL agreement* must have the effect that, in respect of so much of the *BNPL credit* as has been repaid, the *customer* is liable to pay no more than the *customer* would have been liable to pay if the *BNPL credit* had been repaid in full on or before the date provided for in the *BNPL payment condition*.

### Rules on refinancing: general

6.7.17

**R**

- (1) In ■ CONC 6.7.18 R to ■ CONC 6.7.23 R “refinance” means to extend, or purport to extend, the period over which one or more *repayment* is to be made by a *customer* whether by:
- (a) agreeing with the *customer* to replace, vary or supplement an existing *regulated credit agreement*;
  - (b) exercising a contractual power contained in an existing *regulated credit agreement*; or
  - (c) other means, for example, granting an indulgence or waiver to the *customer*.
- (2) “Exercise forbearance” means to refinance a *regulated credit agreement* where the result is that no interest accrues at any time in relation to that agreement or any which replaces, varies or supplements it from the date of the refinancing and either:
- (a) there is no charge in connection with the refinancing; or
  - (b) the only additional charge is a reasonable estimate of the actual and necessary cost of the additional administration required in connection with the refinancing.
- (3) The term “refinance” within paragraph (1) does not include where under a *regulated credit agreement* repayable in instalments a *customer* requests a change in the regular payment date and as a result there is no charge or additional interest in connection with the change.
- (4) For the purpose of ■ CONC 6.7.18R, ■ CONC 6.7.19R, ■ CONC 6.7.21G and ■ CONC 6.7.23R, the term “refinance” within paragraph (1) does not include where a *firm* extends, or purports to extend, the period over which one or more *repayment* is to be made by a *customer* in circumstances where the *firm* does this in order to follow the guidance entitled Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance, the guidance entitled Personal loans and coronavirus: Payment Deferral Guidance, the guidance entitled Motor finance agreements and coronavirus: Payment Deferral Guidance, the guidance entitled High-cost short-term credit and coronavirus: Payment Deferral Guidance, the guidance entitled Rent-to-own, buy-now-pay-later and pawnbroking agreements and coronavirus: Payment Deferral Guidance or the guidance entitled Coronavirus and customers in temporary financial difficulty: updated guidance for insurance and premium finance firms.

6.7.18

**R**

A *firm* must not encourage a *customer* to refinance a *regulated credit agreement* if the result would be the *customer's* commitments are not *sustainable*.

[Note: paragraph 4.27 of *ILG*]

- 6.7.19
- R
- A *firm* must not refinance a *customer's* existing *credit* with the *firm* (other than by exercising forbearance), unless:
- (1) the *firm* does so at the *customer's* request or with the *customer's* consent; and

(2) the *firm* reasonably believes that it is not against the *customer's* best interests to do so.
- [Note: paragraph 6.24 of ILG]

Rules on refinancing: high-cost short-term credit

- 6.7.20
- R
- Before a *firm* agrees to refinance *high-cost short-term credit*, it must:
- (1) give or send an information sheet to the *customer*; and

(2) where reasonably practicable to do so, bring the sheet to the attention of the *customer* before the refinance;
- in the form of the arrears information sheet issued by the *FCA* referred to in section 86A of the *CCA* with the following modifications:
- (3) for the title and first two sentences of the information sheet substitute:

“High-cost short-term loans

**Failing to repay on time**

Think carefully - rolling over or extending your loan may not be the best option and may make things worse.”; and

(4) for the numbered points, the entirety of the ‘To keep in mind’ box and the ‘Doing nothing could make things worse’ subheading, substitute: “

•**Think carefully before borrowing more.** Borrowing more money is likely to worsen your situation.

•**Work out how much you owe.** To do this, you will need to make a list of all the organisations you owe money to. A debt adviser can help you

•**Put priority debts first.** Some debts are more urgent than others because the consequences of not paying them can be more serious than for other debts, for example, mortgage, rent, council tax/ rates, or gas or electricity arrears. A debt adviser can help you to budget to keep your finances under control

**Discuss options with your lender**

•If you are having trouble paying back on time talk to your lender who can suggest ways to repay and make sure it is affordable for you.

•If you don’t, you may quickly face increased costs from interest or charges. Missed payments could affect your credit rating and make it more difficult to get credit in future.

**Get free help and advice**

- People that access advice resolve their issues more quickly than those that don't and hundreds of thousands get free debt advice every year.

- Contact one of these organisations for free debt advice."

(5) in relation to an arrears sheet to be used by an *operator of an electronic system in relation to lending*:

(a) for the bullet point headed "Work out how much money you owe" substitute:

**"Work out how much money you owe.** To do this, you will need to make a list of all those you owe money to. A debt adviser can help you."

(b) for the title " Discuss options with your lender" substitute

"Discuss options with your peer to peer lending platform (P2P platform)";

(c) for the bullet point which begins "If you are having trouble ?" substitute

"If you are having trouble paying back on time talk to your P2P platform who can suggest ways to repay and make sure it is affordable for you."

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 6.7.20 R: see ■ CONC TP 32]

**6.7.21** G A *firm* should not refinance *high-cost short-term credit* where to do so is *unsustainable* or otherwise harmful.

[Note: paragraph 6.25 of *ILG*]

**6.7.22** G A *firm* should not allow a *customer* to enter into consecutive agreements with the *firm* for *high-cost short-term credit* if the cumulative effect of the agreements would be that the *total amount payable* by the *customer* is *unsustainable*.

[Note: paragraph 6.25 (box) of *ILG*]

**6.7.23** R A *firm* must not refinance *high-cost short-term credit* (other than by exercising forbearance) on more than two occasions.

[Note: Until the end of 30 June 2014, transitional provisions apply to ■ CONC 6.7.23 R: see ■ CONC TP 3.3]

## Continuous payments authority: post agreement obligations

**6.7.24** R A *firm* must not amend the terms of a *continuous payment authority* without first obtaining the *customer's* consent, after having fully explained to the *customer* the reason for the amendment.

[Note: paragraph 3.9miii of *DCG*]

- 6.7.25** **R** ■ CONC 6.7.24 R does not preclude the *firm* from:
- (1) making amendments pursuant to a variation clause to which the *customer* has previously given consent, after it was fully explained to the *customer* the reason for the amendment; or
  - (2) reducing or waiving payments unilaterally, for example, under a repayment plan, provided that this is explained to the *customer*.
- [Note: paragraph 3.9miii of DCG]
- 6.7.25A** **R**
- (1) Paragraph (2) applies if an *individual* other than the *borrower* (in this rule referred to as “the guarantor”) has:
    - (a) provided a guarantee or an indemnity (or both) in relation to:
      - (i) a *regulated credit agreement*; or
      - (ii) a *P2P agreement* in respect of which the *borrower* is an *individual*; and
    - (b) granted a *continuous payment authority*.
  - (2) ■ CONC 6.7.24R and ■ CONC 6.7.25R apply in respect of the guarantor as if references to the *customer* were references to the guarantor.
  - (3) For the purposes of this rule, a guarantee does not include a *legal or equitable mortgage* or a *pledge*.
- 6.7.26** **R** A *firm* must use the correct category code and identifier when presenting a payment request to the *payment service provider*.
- [Note: paragraph 3.9miii of DCG]
- 6.7.26A** **R** ■ CONC 6.7.27R to ■ 6.7.40G do not apply to a *firm* in respect of a *customer*, who the *firm* has allowed to defer (in whole or part) the making of *repayments* under a *regulated credit agreement* for a credit card or *retail revolving credit* in the circumstances and for the duration set out in the guidance entitled Credit cards (including retail revolving credit) and coronavirus: temporary guidance for firms, the guidance entitled Credit cards (including retail revolving credit) and coronavirus: updated temporary guidance for firms or the guidance entitled Credit cards (including retail revolving credit) and coronavirus: Payment Deferral Guidance, for the period of the deferment.
- Credit cards and retail revolving credit: persistent debt**
- 6.7.27** **R**
- (1) This rule applies to a *firm* with respect to communicating with a *customer* about, and receiving payments or exercising rights under, a *regulated credit agreement* for a credit card or *retail revolving credit*, if the *firm* assesses that the amount the *customer* has paid to the *firm* towards the credit card balance or *retail revolving credit* balance over the immediately preceding 18-month period comprises a lower amount in principal than in interest, fees and charges.

- (2) A *firm* must assess whether the condition in paragraph (1) is met at least once a *month*.
- (3) The *rule* in paragraph (1) does not apply:
  - (a) where the balance on the credit card or under the *retail revolving credit* agreement was below £200 at any point in the 18-month period; or
  - (b) where the *firm* has sent a communication to the *customer* in accordance with paragraph (4) in the preceding 18 *months* in relation to the credit card or *retail revolving credit* facility; or
  - (c) where the *firm* is taking steps to treat the *customer* with forbearance under ■ CONC 6.7.37R, is otherwise taking equivalent or more favourable steps in relation to the *customer's* account, or ■ CONC 6.7.39R applies.
- (4) Where the *rule* in paragraph (1) applies in relation to a credit card credit card *customer* or a *retail revolving credit customer*, a *firm* must, in an appropriate medium (taking into account any preferences expressed by the *customer* about the medium of communication between the *firm* and the *customer*) and in plain language:
  - (a) notify the *customer* that, in the preceding 18 *months*, the amount the *customer* paid comprised a lower amount in principal than in interest, fees and charges;
  - (b) explain that increasing this level of payment would reduce the cost of borrowing and the amount of time it would take to repay the balance;
  - (c) encourage the *customer* to contact the *firm* to discuss the *customer's* financial circumstances and whether the *customer* can increase the amount of payments without an adverse effect on the *customer's* financial situation;
  - (d) warn the *customer* of the potential implications if the *customer's* payments comprise a lower amount in principal than in interest, fees and charges in two consecutive 18-month periods; and
  - (e) provide contact details for *not-for-profit debt advice bodies* and encourage the *customer* to contact one of them.

6.7.28

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- (1) For the purposes of:
  - (a) ■ CONC 6.7.27R, ■ CONC 6.7.30R, ■ CONC 6.7.34G, ■ CONC 6.7.39R and ■ CONC TP 8, "principal" comprises only the amount of *credit* drawn down by the *customer* under the credit card agreement or *retail revolving credit* agreement, and does not include any interest, fees or charges added to the account; and
  - (b) ■ CONC 6.7.27R(3)(c), ■ CONC 6.7.29R(5) and ■ CONC 6.7.30R(4), where a *Debt Respite moratorium* is in effect for the *customer's retail revolving credit* or credit card debt, and a *firm* is complying with its obligations pursuant to the moratorium, the *firm* will be taking steps equivalent to, or more favourable than, those required under ■ CONC 6.7.37R with respect to that *moratorium debt*, for as long as the moratorium is in effect.
- (2) The potential implications of which the *firm* should warn the *customer* under ■ CONC 6.7.27R(4)(d) include the possibility that the

6.7.29

**R**

account may be suspended, as well as any other steps that the *firm* might take, and the possible impact on the *customer's* credit file.

- (3) ■ CONC 6.7.27R(4) does not specify a particular form of words to be used, and *firms* have discretion to tailor the language and tone of the communication required by that *rule* to the circumstances of the individual *customer*.
- (4) Where the *firm* complies with ■ 6.7.27R(4)(e), the *firm* may in addition provide the *customer* with the name and contact details of one or more other *authorised persons* who have *permission* to carry on *debt counselling*, provided that to do so is consistent with the *firm's* obligations under the *regulatory system*.

- (1) This *rule* applies in respect of a credit card *customer* or a *retail revolving credit customer* to whom a *firm* is required to have sent a communication under ■ CONC 6.7.27R(4).
- (2) The steps required under paragraphs (3) and (4) must be taken:
  - (a) no earlier than nine *months* after; and
  - (b) no later than 10 *months* after,
 the date on which the requirement to send a communication under ■ CONC 6.7.27R arose.
- (3) The *firm* must:
  - (a) consider the pattern of payments made by the *customer* over the period beginning on the date on which the requirement to send a communication under ■ CONC 6.7.27R(1) arose and ending on the date the *firm* takes steps under paragraph (2); and
  - (b) assume that this will be representative of the *customer's* payment pattern in the entire 18-month period immediately following the date on which the requirement to send a communication under ■ CONC 6.7.27R(1) arose.
- (4) If the analysis in (3) indicates that it is likely that ■ CONC 6.7.30R will apply with respect to the *customer*, the *firm* must repeat the steps required under ■ CONC 6.7.27R(4).
- (5) The *rule* in paragraph (1) does not apply where the *firm* is already taking steps equivalent to, or more favourable than, those required under ■ CONC 6.7.37R.

6.7.30

**R**

- (1) This *rule* applies:
  - (a) in respect of a credit card *customer* or a *retail revolving credit customer* to whom a *firm* is required to have sent a communication under ■ CONC 6.7.27R (1); and
  - (b) where the amount that the *customer* has paid to the *firm* towards the credit card or *retail revolving credit* balance, over the 18-month period immediately following the date on which the requirement to send a communication under ■ CONC 6.7.27R(1) arose, comprises a lower amount in principal than in interest, fees and charges.



- (2) This *rule* does not apply:
  - (a) where the balance on the credit card or *retail revolving credit* was below £200 at any point in the 18-month period;
  - (b) to any part of the balance on the credit card or *retail revolving credit* that has previously been subject to the requirements of paragraph (3).
- (3) A *firm* must take reasonable steps to assist a credit card *customer* who falls under paragraph (1) to repay the balance on their credit card or *retail revolving credit* as it stands at the end of the period specified in that paragraph more quickly and in a way that does not adversely affect the *customer's* financial situation.
- (4) The *firm* is not required to take steps under (3) or ■ CONC 6.7.31R where the *firm* is already taking steps equivalent to, or more favourable than, those required under ■ CONC 6.7.37R, provided that the *firm* continues to take those steps.

6.7.31 **R** Where a *firm* is required to assist a *customer* to repay more quickly under ■ CONC 6.7.30R(3), the *firm* must contact the *customer* to:

- (1) explain that increasing this level of payment would reduce the cost of borrowing and the amount of time it would take to repay the balance;
- (2) provide contact details for *not-for-profit debt advice bodies* and encourage the *customer* to contact one of them;
- (3) set out options for the *customer* to increase payments and request that the *customer*, within a specified reasonable period, respond to either:
  - (a) confirm that the *customer* will increase payments in accordance with one of the options; or
  - (b) where applicable, confirm that the options proposed are not *sustainable* for the *customer*; and
- (4) inform the *customer* that if the *firm* does not receive a response to the request under paragraph (3) in the time specified, the *firm* will suspend or cancel the use of the credit card or *retail revolving credit* facility.

6.7.32 **G**

- (1) The options a *firm* may set out under ■ CONC 6.7.31R(3) in relation to a credit card or *retail revolving credit* include, for example, increasing the amount of *monthly* payments under a repayment plan, or transferring the balance to a fixed-sum unsecured personal loan.
- (2) ■ CONC 6.7.31R does not prevent a *firm* from treating the *customer* more favourably, for example by writing off the balance on the account.
- (3) ■ CONC 6.7.31R does not specify a particular form of words to be used, and *firms* have discretion to tailor the language and tone of the communication required by that *rule* to the circumstances of the individual *customer*.

- (4) Where the *firm* complies with ■ CONC 6.7.31R(2), the *firm* may in addition provide the *customer* with the name and contact details of one or more other *authorised persons* who have *permission* to carry on *debt counselling*, provided that to do so is consistent with the *firm's* obligations under the *regulatory system*.
- 6.7.33 G
- (1) The aim of the options a *firm* sets out under ■ CONC 6.7.31R(3) should be that the *customer* repays the balance in a reasonable period.
- (2) The *FCA* expects a “reasonable period” under paragraph (1), ■ CONC 6.7.37R and ■ CONC 6.7.38G to usually be between three and four years. Only in exceptional circumstances should the repayment period extend beyond four years; and even in such cases, the extension should not be significant and there should be no additional cost to the *customer* as a result of the repayment period extending beyond four years. When setting the reasonable repayment period, *firms* may take into account the amount of the outstanding balance and minimum repayment amount. For example, where balances are relatively low this could point to a shorter reasonable repayment period.
- 6.7.34 G
- References in ■ CONC 6.7.27R, ■ CONC 6.7.31R(3) and ■ CONC 6.7.32G(1) to a *customer* increasing payments to the *firm* include circumstances where the amount a *customer* pays remains fixed at the same amount the *customer* was previously paying but, assuming there is no further spending on the account, represents an increase in the percentage of the outstanding principal that is repaid each *month* as the balance reduces.
- 6.7.35 R
- (1) Where a *customer* does not respond to a *firm's* request under ■ CONC 6.7.31R(3), a *firm* must, at the end of the period specified in the request, suspend or cancel the *customer's* use of the credit card or *retail revolving credit* facility.
- (2) Where a *customer* confirms that one or more of the options proposed under ■ CONC 6.7.31 R(3) is *sustainable*, but states that they will not make the increased payments, a *firm* must suspend or cancel the *customer's* use of the credit card or *retail revolving credit* facility.
- (3) Where a *firm* suspends the *customer's* use of the credit card or *retail revolving credit* facility under paragraph (1) and the *customer* subsequently responds to the *firm's* request under ■ CONC 6.7.31R(3), the *firm* may withdraw the suspension if this would be in line with the other provisions in this section.
- 6.7.36 G
- Where a *firm* suspends or cancels the *customer's* use of the credit card or *retail revolving credit* facility under ■ CONC 6.7.35R the *firm* is not, unless the *customer* responds to the *firm's* request under ■ CONC 6.7.31R(3), required to take further steps under ■ CONC 6.7.37R to ■ CONC 6.7.39R. *Firms* are however reminded of ■ CONC 6.7.3AR, which requires *firms* to take appropriate action where there are signs of actual or possible financial difficulties, and ■ CONC 7.3.4R, which requires *firms* to treat *customers* in default or arrears difficulties with forbearance and due consideration.



- 6.7.37** **R** Where a *customer*:
- (1) confirms to the *firm* that the options set out under ■ CONC 6.7.31R(3) are *unsustainable*; or
  - (2) informs the *firm* that they will increase payments in accordance with one of the options proposed under ■ CONC 6.7.31G(3) but the patterns of payments actually made under the repayment plan after it is put in place, or other indicators, show that the *customer* is unlikely to repay the balance in a reasonable period,
- the *firm* must treat the *customer* with forbearance and due consideration.
- 6.7.38** **G**
- (1) The steps a *firm* takes to treat a *customer* with forbearance under ■ CONC 6.7.37R should have the aim of assisting the *customer* to make *sustainable repayments* to repay the outstanding balance in a reasonable period, and may include reducing, waiving or cancelling any interest, fees or charges.
  - (2) The *FCA* expects that it will generally be necessary for *firms* to suspend or cancel the use of the credit card or *retail revolving credit* facility of a *customer* that the *firm* is required to treat with forbearance under ■ CONC 6.7.37R with a view to ensuring the *customer* repays the outstanding balance in a reasonable period. This expectation does not apply, however, where the suspension or cancellation of use of the credit facility would cause a significant adverse impact on the *customer's* financial situation, for example where the *customer* depends on the credit facility for meeting essential living expenses (such as in relation to a mortgage, rent, council tax, food bills and utility bills) or the purchase of essential items (which may include but is not limited to items such as school uniform, baby essentials or a refrigerator). Equally, the *FCA* considers that it will generally not be appropriate to withdraw the suspension of the use of a *customer's* credit card under ■ CONC 6.7.35R(3) if the *firm* is required to treat the *customer* with forbearance under ■ CONC 6.7.37R.
- 6.7.39** **R** Where a *firm* does not suspend or cancel the use of the credit card or *retail revolving credit* facility of a *customer* falling under ■ CONC 6.7.30R, the *firm* must take reasonable steps to ensure that the *customer* does not, in the 18-month period immediately following, repay an amount to the *firm* towards the credit card or *retail revolving credit* balance that comprises a lower amount in principal than in interest, fees and charges in relation to any spending on the card in this period.
- 6.7.40** **G** Compliance with any of the requirements in ■ CONC 6.7.27R to ■ CONC 6.7.39R does not remove or reduce the obligation on a *firm* to:
- (1) take appropriate action where there are signs of actual or possible financial difficulties under ■ CONC 6.7.3AR; or
  - (2) treat *customers* in default or arrears difficulties with forbearance and due consideration under ■ CONC 7.3.4R,
- and vice versa.

Authorised non-business overdraft agreements: reductions in credit limits

6.7.41

R

A *firm* must provide an easy, efficient and prompt process by which a *borrower* under an *authorised non-business overdraft agreement* may request:

- (1) a reduction in the *credit limit* under that agreement; or
- (2) to terminate the *authorised non-business overdraft agreement* but retain the current account that it is associated with, where the terms of the agreement permit this.

6.7.42

G

A *firm* is not required to approve all requests from a *borrower* to reduce their *credit limit* or to terminate their *authorised non-business overdraft agreement*. When considering such a request, a *firm* should have regard to its obligation to treat *customers* fairly. In many circumstances it would be unfair to require a *borrower* to retain an unwanted facility. The following are examples of when it may be fair to refuse a request:

- (1) the current account that the *authorised non-business overdraft agreement* is associated with is offered on terms that it must be associated with an *authorised non-business overdraft agreement*, or with an *authorised non-business overdraft agreement* with a particular credit limit; or
- (2) the *borrower's* indebtedness exceeds the reduced *credit limit* requested; or
- (3) the *borrower* has requested termination of an *authorised non-business overdraft agreement* but there are sums outstanding under that agreement.