

**MORTGAGES AND HOME FINANCE: CONDUCT OF BUSINESS SOURCEBOOK  
(DEFERRED INTEREST FORBEARANCE AMENDMENTS) INSTRUMENT 2009**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
  - (2) section 145 (Financial promotion rules);
  - (3) section 149 (Evidential provisions);
  - (4) section 156 (General supplementary powers);
  - (5) section 157(1) (Guidance); and
  - (6) section 214 (General).
- B. The provisions listed above relevant to making rules are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 April 2009.

**Amendments to the Handbook**

- D. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Mortgages and Home Finance: Conduct of Business Sourcebook (Deferred Interest Forbearance Amendments) Instrument 2009.

By order of the Board  
26 March 2009

## Annex

**Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook  
(MCOB)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

- 7.5.3A    R    (1)    MCOB 7.5.3R(1)(b) does not apply where as a result of the *customer* having payment difficulties:
- (a)    the *regulated mortgage contract* has changed to an *interest-only mortgage*; and
- (b)    interest is being deferred and capitalised by the *firm*.
- (2)    Paragraph (1) applies only where the *customer* continues to have payment difficulties.

...

- 7.6.28    R    If a *customer* requests, or agrees to, a change to a *regulated mortgage contract* (other than a change as described in *MCOB 7.6.7R* to *MCOB 7.6.27R 7.6.26G*) that changes the amount of each payment due, a *firm* must provide the *customer* with the following information, in a single communication (subject to *MCOB 7.6.28AR(3)*), before the change takes effect:

...

- 7.6.28A    R    (1)    MCOB 7.6.28R(5) does not apply where the *regulated mortgage contract* is changing to an *interest-only mortgage* and interest is being deferred and capitalised by the *firm* as a result of the *customer* having payment difficulties.
- (2)    Where (1) applies, the *firm* must instead provide a prominent reminder to the *customer* of the amount outstanding together with an explanation of the implications of deferred payments being capitalised, before the change in the *regulated mortgage contract* takes effect.
- (3)    The reminder in (2) may be provided in a separate communication.