

FSA Makes Changes to 'MCOB' Rules on Arrears

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By Ian Norman, 5 July 2010

On 10 May 2010, we reported on the fact that the Financial Services Authority (FSA) was proposing to make changes to the Mortgage Conduct of Business Rules (MCOB) in respect of treating customers in arrears fairly. On 24 June 2010, amongst other things, the FSA's board resolved to amend the MCOB rules in respect of the treatment of borrowers in arrears, as follows:

(1) In order to clarify existing requirements that firms:

- must not impose a monthly arrears charge where a customer has entered into an Arrangement to Pay;
- must allocate payments from customers to clearing missed monthly payments first, leaving charges to be paid later; and
- by converting MCOB 13 forbearance from guidance into rules, are required to consider what an alternative option to repossessing the property might be, given the individual circumstances of the consumer.

(2) it introduces a new rule requiring firms to keep recordings of telephone conversations between firms and their customers where these conversations include discussions of the arrears due; and

(3) it introduces a requirement for firms to point out to consumers the existence of the various government schemes in place to help borrowers with payment difficulties.

This instrument making the changes, known as the Mortgage Arrears Instrument 2010 (FSA 2010/22) comes into force on **25 June 2010**. Feedback on the consultation is being published in a separate Policy Statement.

Click here for further specific information on the above changes in the [FSA's Handbook Notice 101 \(PDF\)](#)

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