

## **Financially vulnerable customers' thematic review**

### **Financial Conduct Authority (FCA)**

**RPC rating: validated**

#### **Description of the measure**

Following a Thematic Review to assess firms' strategies to mitigate the impact of mortgage interest rate rises on financially vulnerable customers, the FCA decided to publish a series of recommendations reminding firms to develop strategies to ensure that customers (especially those considered vulnerable) would be treated fairly in the event of an increase in mortgage interest rates and providing examples of good practice.

#### **Impacts of the measure**

The FCA explains that approximately 130 firms would be affected by the recommendations. It estimates that such firms would incur one off familiarisation costs of £1,040. The assessment also considers whether firms would incur further direct costs (or savings) in implementing the recommendations, which follow those in an earlier (2013/4) Thematic Review. The Impact Assessment list a range of such remediation costs. However, business responses suggest that these costs are minimal and depend in any case on the steps taken by individual firms following the 2013/4 review.

The FCA explains that developing a recommended strategy will allow firms to benefit from a better understanding the numbers and needs of vulnerable customers, which would in turn reduce the risk of such customers falling into arrears.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.1 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

#### **Quality of submission**

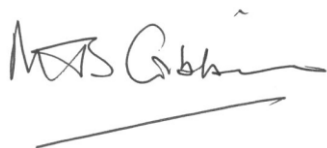
The FCA has sufficiently explained that 'remediation' costs incurred by firms as a result of its recommendations would be heavily dependent upon the steps taken by firms following publication of the 2013/4 FCA review on this subject. The FCA has provided sufficient detail to allow the RPC to validate this measure.

### Regulator assessment

| Classification   | Qualifying regulatory provision |
|--|---------------------------------|
| Equivalent annual net direct cost to business (EANDCB) | £0.1 million                    |
| Business net present value                             | -£1.20 million                  |

### RPC assessment

| Classification                                  | Qualifying regulatory provision |
|---|---------------------------------|
| EANDCB – RPC validated <sup>1</sup>             | £0.1 million                    |
| Business Impact Target (BIT) Score <sup>1</sup> | £0.5 million                    |



**Michael Gibbons CBE**, Chairman

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<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.