



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr Stephen Jones
Chief Executive Officer
UK Finance
1 Angel Court
London
EC2R 7HJ

Dear Stephen,

28th January 2020

Mortgage Prisoners

Thank you for a productive meeting earlier this month in which we covered many issues pertaining to the financial services sector. As you will remember we discussed mortgage prisoners and the work the Financial Conduct Authority (FCA) were undertaking to analyse borrowers whose mortgages are in closed mortgage books or owned by firms that are not regulated by the FCA, in order to better understand the characteristics of this group and their loans.

The FCA have now published this data which shows that c.170,000 of these borrowers are eligible to switch under the new FCA rules, of which there are c.14,000 mortgage prisoners who are up to date with their payments, are likely to meet commercial lending criteria and who could benefit meaningfully from switching to a cheaper deal.

I have discussed with Andrew Bailey, Chief Executive of the FCA, and he is in agreement that these eligible borrowers should have the opportunity to access cheaper deals with new lenders. Now that the FCA rule changes are in effect, I expect as many of your members as possible to move quickly to offer new deals to this group of eligible borrowers. In our meeting you committed to working with your members to better communicate to this group the deals that will be available to them and I look forward to seeing rapid progress.

I noted that the data also showed that most borrowers whose mortgages are in closed mortgage books or owned by firms that are not regulated by the FCA are paying interest rates of 3.5% or less and many are also nearing the end of their mortgage terms.

However, I note that the data has identified a further group of borrowers that may be in problem debt and therefore exceed the risk appetite of many lenders, including those in arrears or interest-only with no repayment strategy. As with

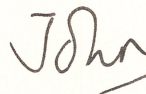
any borrower in the UK that experiences problem debt, the Government and the FCA are committed to working alongside lenders to provide appropriate support for these individuals. That is why we have established a range of initiatives to support those in problem debt, including the Money and Pensions Service which has been set up by the Government to support consumers with free and impartial information for every stage of their financial lives. Treasury officials are also working on implementing Breathing Space which will give borrowers in problem debt the opportunity to get their finances back on track. We have also ensured that regulations concentrate on helping people avoid repossession, including protection in the courts through the Pre-Action Protocol which makes it clear that repossession must always be the last resort for lenders.

Given the complexity in resolving the issues around mortgage prisoners, it is important to closely monitor the impact of the recent rule changes, including the extent and pace of action by your members. I am open to considering an extension to the regulatory perimeter where the benefits to consumers and markets can be demonstrated, however it is important that we do not raise false hope for these customers by pursuing a change that does not end up helping them.

I look forward to continuing to collaborate with industry to support borrowers whose mortgages are in closed mortgage books or owned by firms that are not regulated by the FCA. I am determined to enable re-mortgaging for those who are eligible under the FCA's rule change, meet the criteria for lending and would benefit from doing so. The FCA rule changes lifted the regulatory barriers. I now expect lenders to take the lead in making a real difference to this group of borrowers.

As I am sure you will agree, this is a matter of considerable public interest. For that reason, I will be publishing a copy of this letter.

with very best regards



JOHN GLEN