

# Applications Including Debt Consolidation: 06/05/2020 Update

## What's Happening

To provide clarity to our current approach for applications including debt consolidation where payment holidays are being taken, we can confirm that with effect from 6<sup>th</sup> May we will not lend to customers for debt consolidation where there is a payment holiday in place on either secured or unsecured lending.

## What you need to know

- We are temporarily not offering debt consolidation to customers who are currently on a mortgage payment holiday with their existing lender
- We are temporarily not offering debt consolidation for an unsecured loan or credit card where there is a payment holiday or arrangement in place. This includes where the payment holiday is in place for the debt to be consolidated, or any other credit cards or loans.
- There will be no exceptions to the above two points
  
- This is a short term policy, we will consider applications for debt consolidation when customers can evidence that 1 payment has been made following any payment holiday. This applies to both mortgages and any unsecured debts which have been on payment holidays. For example:
  - o Customer only has a payment holiday in place for their mortgage. This comes to an end May 15<sup>th</sup>
  - o Customers resumed mortgage payment is taken out on 18<sup>th</sup> May.
  - o Customer can be considered for debt consolidation from 18<sup>th</sup> May. Payment to be evidenced on bank statement
- If there are no payment holidays in place for either the existing mortgage or unsecured debts then normal policy criteria will apply.

## We do not expect you to proactively review your pipeline.

Pipeline cases will only be affected by this new policy where a material change to the application is identified either by you, the customer or in the process of underwriting the application. If you are made aware of any material changes to the customer's circumstances, please notify us as normal in order for us to reassess the application.

## What you need to do

When proceeding with an element of debt consolidation:

- Ensure there is no payment holiday in place on the existing mortgage
- Ensure there are no payment holidays / arrangements in place for any unsecured loans or credit cards whether being consolidated or not

Where additional funds are being requested, ensure you capture the reason for further borrowing. You should be clear with your customer that their application may be declined at underwriting stage if it is identified that there is a payment holiday in place.