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Dear Nikhil,

Motor finance agreements and coronavirus: further updated temporary guidance for firms

The BVRLA represents the demand side of the automotive industry. Our members engage in vehicle rental, leasing and fleet management, purchasing around 50% of new vehicles sold annually in the UK. The sector supports over 465,000 jobs and supplies UK businesses and consumers with a combined fleet of over five million cars, vans and trucks.

The BVRLA welcomes the opportunity to comment on the FCA's Motor finance agreements and coronavirus: further updated temporary guidance for firms in response to the resumption of national restrictions. We appreciate the FCA preparing specific guidance for the motor finance sector as was requested in our response to "Consumer credit and coronavirus: Additional guidance". As these unprecedented circumstances continue, BVRLA members are ready to help their customers and broadly welcome the certainty this guidance brings to consumers and the market.

In regard to the specific guidance you are proposing, there are six areas of concern and clarification which we believe should be highlighted:

- **Clear, understandable FCA communications:** Previous FCA communications on payment holidays have led to spikes in forbearance requests from members' unregulated customers who mistakenly believe the guidance applies to them. Specific mention, in clear terms, that SMEs are not included would remove any false expectations. It is vital that the FCA is extremely clear in all its in its messaging around the scope of the guidance and its eligibility. There is a strong risk that not just SMEs believe they are entitled to automatic three month payment holidays but also customers who require tailored support. There is an onus on the FCA to ensure media representation of the final guidance is as clear and accurate as possible.
- **The medium term approach:** That there is no certainty that this second wave of national restrictions will be the last in the UK. Finance providers and consumers need more clarity around the expected response if the current restrictions are extended further or reintroduced at a later date. The current extremely rapid approach used for setting guidance is unsustainable. The pandemic is not a short term or rapid challenge for the UK, it has had significant impacts in all four quarters of 2020. There is a need for formal consultation and an overarching strategy for how the FCA will respond to future or prolonged restrictions.
- **Non-bank access to finance:** BVRLA non-bank leasing members have reported increasing difficulty in accessing finance with severe impacts on their businesses. These firms are not currently able to access the same level of support as banks and their only route to support, CBILS, has very restrictive terms. Non-banks are not getting the support they need. These firms provide an important, often specialist, service for a wide range of SMEs and consumers. While this guidance only covers the regulated market there will be knock-on impacts across all motor finance. The liquidity pressure of forbearance and loss of income from the payment holiday months will mean tighter criteria for asset financing generally and restrict business growth opportunities. Government must support non-bank lenders by reforming the current support structures to ensure funds are able to flow to them.

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- **Impact of Christmas:** There are concerns that allowing all consumer credit and mortgage guidance to remain until 31 January could create adverse incentives for consumers. The Christmas period is one where there is regular overspending by consumers followed by increases of defaults and arrears in January across credit products. That 2020 has been a particularly difficult year may increase the likelihood of these behaviours, especially as, after exiting the last national lockdown there was a spike in spending. Consumers will also be aware that they have access to three month payment holidays across all their obligations in January. The pressures of 2020, the restrictions lifting early December and knowledge of payment holidays could encourage overspending at Christmas followed by payment holiday requests. This is not in the best interest of the consumer. The BVRLA believe the guidance should expire on 31 December 2020 to avoid negative outcomes for the consumer. The messaging around the payment holidays is also critical and should be used to discourage this result.
- **Customers who have resumed payment:** The FCA press release on 4 November states “Consumer credit customers who have already benefitted from 2 payment deferrals (or 1 for HCSTC), and are still experiencing payment difficulties should speak to their lender who will be able to provide tailored support. This also applies to those who have resumed repayments after an initial payment deferral, as they would not be entitled to a further deferral, but should receive tailored support if they are experiencing payment difficulties.” The treatment of those who have resumed repayments after an initial payment deferral should be more clearly communicated in the actual guidance.
- **Repossessions guidance:** The guidance in Section 6 of “Consumer credit and Coronavirus: Updated Additional Guidance for Firms” does not make it clear enough that this guidance only applies to customers who are experiencing temporary payment difficulties because of coronavirus. There are also situations where a customer will want to voluntarily terminate their lease agreement and give up their vehicle this circumstance should be mentioned explicitly in the guidance or feedback notes as it is not covered by the current exception where a customer allows a case to continue.

Yours sincerely,



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About the BVRLA

- Established in 1967, the BVRLA is the UK trade body for companies engaged in vehicle rental, leasing and fleet management.
- BVRLA members are responsible for a combined fleet of over five million cars, vans and trucks on UK roads, that's 1-in-8 cars, 1-in-5 vans and 1-in-4 trucks. The vehicle rental and leasing industry supports over 465,000 jobs, adds £7.6bn in tax revenues and contributes £49bn to the UK economy each year.
- On behalf of its 1,000+ member organisations, the BVRLA works with governments, public sector agencies, industry associations and key business influencers across a wide range of road transport, environmental, taxation, technology and finance-related issues.
- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.
- The association achieves this by maintaining industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection and governance programme and government-approved Alternative Dispute Resolution service. To support this work, the BVRLA promotes best practice through its extensive range of training, events and information-sharing activities.

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