

## **HELP WITH DEBT DURING COVID 19**

### **1. CREDIT REPORTS**

### **2. PROTECTION FOR PEOPLE IN DEBT**

### **3. FCA MEASURES TO OFFER LOAN AND CREDIT CARD PAYMENT HOLIDAYS**

#### **1. CREDIT REPORTS**

The 3 main UK credit reference agencies (Experian, Equifax and TransUnion) have agreed that a temporary payment holiday with a lender will not affect consumers' credit reports. This will apply to mortgages, credit cards, and other unsecured loans.

This means that if you are making reduced payments (as agreed with the lender) or using a payment break, there will be no negative impacts on your credit score.

- No missed payments will show on your report
- Any existing arrears will still show on your report, but new ones incurred as a result of coronavirus will not (if agreed with your lender)
- Agreeing a payment holiday or reduction with your lender will not be listed on your credit report

It is important to note that for payment breaks/reduced payments to not be shown on your credit report, they must be approved by your lender in order to become “authorised changes”. If not approved by your lender, these changes will be shown as “unauthorised” and will negatively affect your credit score.

#### **2. PROTECTION FOR PEOPLE IN DEBT**

The Coronavirus (Scotland) Bill (passed on 1st April 2020) offers various protections for people in Scotland against the financial impact of coronavirus. Protection for renters is detailed in Bulletin 4 but another important function of the bill is the extended moratorium it has put in place for people in debt.

Under this new legislation, creditors will not be able to take debt recovery action against individuals and firms for six months (increased from six weeks), and the limit of one moratorium period per year

will be overturned. This measure is to ensure people in debt have appropriate breathing space during this uncertain time.

Moratorium applications can continue to be submitted electronically [here](#).

### **3. FCA MEASURES TO OFFER LOAN AND CREDIT CARD PAYMENT HOLIDAYS**

The Financial Conduct Authority (FCA), which regulates the lending industry confirmed it would implement new measures to take effect from 14<sup>th</sup> April 2020 to help loan and credit card customers.

This is what banks and other high-street lenders now need to offer:

Lenders should give three-month payment holidays to card and loan customers whose finances are affected by coronavirus. If you're struggling to make payments, or think you will struggle over the next couple of months, your lender needs to help you when you ask.

Payment holiday requests have now been extended from 14<sup>th</sup> July to 31<sup>st</sup> October 2020 and if it's granted, you won't need to pay anything towards your loan or credit card for up to three months from the date it's granted.

If you've already taken a payment holiday on your card or loan since April, it'll last for three months. If you can't start making full or part payments once your initial holiday period comes to an end, you will be able to ask to extend it for up to another three months.

Most lenders are not asking for proof that your finances have been affected by coronavirus.

Please be aware you'll still be charged interest during the payment holiday which means you'll likely end up paying slightly more overall. So it's best to only do this if you need to – if you can pay, it's best to keep doing so.

While the FCA has only told banks they must offer payment holidays, some are also waiving fees for missed payments, offering reduced monthly payments or emergency credit limit increases.

Details of various lenders and what they are offering have been collated by MSE and can be viewed at <https://www.moneysavingexpert.com/news/2020/03/uk-coronavirus-help-and-your-rights/#loanhelp>

**People in crisis or requiring urgent debt advice are directed to contact South Ayrshire Council's Information and Advice Hub at [informationandadvicehub@south-ayrshire.gov.uk](mailto:informationandadvicehub@south-ayrshire.gov.uk) or by calling 0300 123 0900.**

**If you have any further questions about any of the above topics,**

or if you require Housing Advice or Information

Email [advice@ayrhousingaidcentre.com](mailto:advice@ayrhousingaidcentre.com) or call, text or whatsapp us on 07549 603895 / 07760 750256 or contact us via facebook at <https://www.facebook.com/ayrhac>