

Coronavirus Data Reporting – Emergency Payment Freeze Advice

Due to the current situation with the coronavirus pandemic, the credit reference agencies (CRAs) have been working together on suitable data reporting guidance at this unprecedented time.

CRAs are seeking to minimise the impact to affected consumers, whilst also maintaining the accuracy and integrity of the CRA databases so lending activity can continue.

Previous and existing reporting guidance promotes the use of a payment holiday, and in accordance with CRAs data reporting specifications, the most appropriate status code that should be provided, would be a status code 'U'.

After further discussions between the CRAs and considering the current situation we face, this may not be the most appropriate way of reporting a prolonged period where no payments are expected.

It should be noted that this unique guidance supersedes any previous guidance surrounding payment holidays and is in relation to the coronavirus pandemic only.

The CRAs will use the term “emergency payment freeze” to avoid confusion.

It is important to note that this guidance represents the fairest achievable position for the consumer within existing reporting capabilities of the CRAs and lenders. The CRAs cannot guarantee that this will not impact a consumer's ability to get credit, as lender policies will be different across the industry. It does however ensure that the consumer's current credit data position is maintained or frozen for the duration of the emergency payment freeze period.

Contributor Policy to Offer an Emergency Payment Freeze

In line with FCA guidance, there is an expectation that organisations will act in the best interests of their customers and show greater flexibility at this current time. All data contributors will need to decide whether or not to offer affected consumers the benefit of the emergency payment freeze. For some products (e.g. mortgages) this may be necessary to meet FCA guidance. However this guidance is not mortgage specific and should be used for an emergency payment freeze for any product.

If a consumer falls behind without a payment freeze, then the usual CRA position will apply - a worsening status is likely to mean their credit file is impacted.

Proposed Reporting Changes

Status Code

Due to the fact that the payment freeze period may be for a minimum period of 3 months, the most appropriate way of recording a payment freeze would be to continue reporting the same status code that was provided before the freeze period commenced. This means that when you have a consumer's payment frozen you also freeze the payment status.

Therefore, if the account was previously up to date (status 0), a status 0 should be provided for this freeze period.

If an account was already in arrears, the same level of arrears should be reported throughout the freeze period.

Should a consumer wish to make a partial payment due to financial difficulties, under normal circumstances, the arrangement status/flag would be provided. At this time, we are recommending that the Arrangement flag/status is NOT PROVIDED, and either a status 0, or the same level of arrears should be reported.

Should an account already be in default, the account would remain in default and any payments made against the default should be reflected in the current balance.

Prior to the payment freeze period, should a consumer's account already have been in arrears, and they brought their account back up to date within the freeze period, standard reporting rules would apply, and the account should then be brought up to date. This is likely to be a rare event, but the consumer should be given the benefit of having made those additional payments.

Status Code Examples

Working on the basis that, in these examples, a 3 month payment freeze commences in March 2020:

Scenario 1 – Up to Date

Customer A is up to date and was been provided as a status '0' in February 2020

No payments are made in March, April and May due to payment freeze

For the months of March, April and May, a status '0' should be reported

Scenario 2 – Existing Arrears

Customer B has been reported as a status '2' in February 2020

No payments are made in March, April and May because of payment freeze

For the months of March, April and May, a status '2' should still be reported

Scenario 3 – Account in an existing Arrangement

Customer C has been reported as a status '2' with an arrangement flag (or status I) in February 2020

No payments are made in March, April and May because of payment freeze

For the months of March, April and May, a status '2' with an arrangement flag (or status I) should still be reported

Scenario 4 – Account making a partial payment

Customer D has been reported as a status 0 in February 2020

The customer has payment difficulties because of coronavirus but (rather than pay nothing) wants to make a partial payment in March, April and May. This would normally involve an Arrangement being reported.

For the months of March, April and May, a status '0' should still be reported. The Arrangement flag/status would NOT BE reported.

Scenario 5 - Default

Customer E has been reported as a status 'D / 8' in February 2020

No payments are made in March, April and May

For the months of March, April and May, a status 'D / 8' should still be reported

Scenario 6 – Existing Arrears being reduced during payment freeze period

An account that enters a payment freeze period as a status 2, which then sees a payment made that would bring the status code to a 1, should have the new status code of 1 reported despite still being in the payment freeze period. Although as previously stated, this is likely to be a rare event.

Current Balance

The current balance reported will be based on the policy rules agreed within your organisation.

Monthly Repayment Amount

The monthly repayment amount should still be provided in line with the contractual obligations. It should not be set to zero. This could be the original repayment amount, or an agreed renegotiated amount.

Repayment Period

The repayment period should reflect the contracted term. This could be the original repayment period or an agreed renegotiated term.

Next Steps

The CRAs are reviewing the situation on a regular basis. This will mean that the guidance may need to be reviewed to ascertain whether it is suitable if the emergency payment freeze period is likely to extend beyond three months.

If you require any further clarification on these changes or any part of this communication, please contact your trade association, SCOR or the CRAs. The CRAs will review questions and clarifications regularly and will route any amendments through SCOR and the trade associations.

Version Control

Version	Date	Comments
1.0	25/03/2020	Initial Version