



Finance & Leasing Association Covid-19 Briefing Note: Customer Forbearance & Government Support Schemes

About the FLA

Finance & Leasing Association (FLA) members supported £140 billion of investment by UK households and businesses in 2019. £105 billion of this funded a range of items from household goods and appliances to cars and second charge mortgages used to finance home improvements. Firms benefited from £35 billion of leasing and hire purchase to finance the equipment essential to UK's businesses from IT to plant and machinery and big ticket items. Of this, £20 billion went to SMEs.

Customer Forbearance

FLA members are doing all they can to help customers with payment difficulties in these exceptional times. This includes three-month payment deferrals¹ (in line with FCA Guidance in place for mortgage and consumer loans), extending terms of agreements, accepting token payments and freezing interest and charges. We have prepared some [FAQ](#) which you may find useful when helping your constituents.

Despite our members' efforts, the Consumer Credit Act (CCA) (which also applies to lending to smaller businesses) makes the process slow just at a time when customers need assistance quickly. The FLA has long campaigned for changes to the Act – *now* is the time to make them. Given the urgency of the situation, we have – with the assistance of leading law firms – drafted secondary legislation to achieve this.

FLA members are treating all cases sympathetically – the CCA just makes delivering that forbearance cumbersome and confusing for customers.

Government support schemes

Lately we have been working with Government, the Bank of England and the British Business Bank to address a number of challenges posed by Covid-19. Non-banks, which provided a third of new FLA business (£46 billion) are not always well-served

¹ During the six weeks to 17 April 2020, FLA members had received an estimated **1,085,000** Covid-related requests (*a single request may cover multiple agreements held with the lender*) for forbearance. By the end of that period over **757,000** (70%) of the requests had been granted by that date. Where these have not yet been granted, this may be due to the high number of requests received, waiting for further information or waiting for the borrower to accept the proposal. Requests have begun to level-off since the initial surge in mid-March.

by the Government's new support schemes. This has implications for their ability to offer support for their customers.

The Term Funding Scheme for SMEs does not serve non-banks so we have together with other trade bodies² proposed different proposals to address this. One way would be to simply open up the Term Funding Scheme to non-banks, a Rapid Access Term Funding like Scheme administered by the British Business Bank. Another suggestion is via a "Forbearance Liquidity Funding Scheme", whereby the UK Government would provide eligible non-banks with the liquidity required to fund loans on which forbearance has been provided (such loans currently fall outside of existing funding lines).

In a similar vein, the FLA has called for the Covid Corporate Financing Facility (CCFF) to be extended to finance companies.

We welcomed the widening of the scope of the Coronavirus Business Interruption Loan Scheme (CBILS) so that independent and non-bank lenders can access the scheme as customers as well as an increase in the amount their customers can borrow alongside the increased Government guarantees. We have also suggested that the guarantee should be allowed to be assigned to an institutional investor. We believe this would give small funders greater confidence in the scheme and encourage take up. In comparison to other Government support schemes, the accreditation and decision-making processes associated with CBILS must be expedited.

We have published [proposals for Government Support Schemes](#) and [recommendations to support UK SMEs](#) which are supported by other business representatives³.

The medium-term

Firms are already thinking ahead beyond the initial three-month deferral period and considering a number of questions, including how they can work with their customers to transition them back to normal repayment schedules, and how to fund the forbearance (acknowledging that whilst this is absolutely the right thing to do, the cost of so doing on a three-year agreement is considerably higher than for a typical mortgage). We are discussing possible options with the Government and regulators to ensure that our members can continue to offer a diverse range of products to customers as the economy recovers.

24 April 2020

² Association of Alternative Business Finance Innovate Finance, Intermediary Mortgage Lenders' Association, UK Finance

³ The Forum of Private Business and the Manufacturing Technologies Association