



Coronavirus Data Reporting Guidance – Emergency Payment Freezes

Version 1.2:

This version includes the Addendum for Exit Arrangements and Payment Freeze Extension Reporting.

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

The 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.

This Data Reporting Guidance therefore reflects the views of the CRAs and has been published following consultation with SCOR and its member trade associations.

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.

The CRAs believe 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 (i.e. payment status) is maintained or frozen for the duration of the emergency payment freeze period.

Data 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, credit cards and personal loans) this may be necessary to meet FCA guidance. However this guidance is not mortgage, card or loan 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.

Reporting Changes

Status Code

Due to the fact that the payment freeze period for most products will 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.

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 (i.e. INSIGHT status '1', not '1') 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 (i.e. INSIGHT status '1') should still be reported

Scenario 4 – Account making a partial payment

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

No payments are due/expected in March, April and May because of payment freeze, but the customer 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

Where a customer enters a payment freeze with existing arrears (e.g. reported as a status '2' in February 2020) then, if that customer makes payments during the freeze, it is a matter for the lender to decide whether the freeze has ended (i.e. the customer has made the expected monthly payment) and/or if the payment reduces the level of arrears. The lender must decide whether or not to reflect the improved account position in their reporting (e.g. report a status '1'), and whether (in line with regulator guidance) the freeze continues. 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 Payment / Repayment Amount

The monthly payment/repayment amount should still be provided in line with the contractual obligations. It should not be set to zero. This could be the original payment/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.

Additional Guidance for Cards, Overdrafts and Loans

- i) Loans – The Guidance set out above should be followed for loan products.
- ii) Overdrafts – There is no concept of a payment freeze in the FCA guidance for overdrafts, hence overdrafts should be reported as normal.
- iii) Cards - As per the FCA guidance on credit cards, customers are able to request a payment deferral (a type of payment freeze) on their credit or store card. Please see below the field level reporting guidance:

<u>Status Code</u>	As per above Status Code guidance (i.e. continue to report the same Status Code as before the deferral)
<u>Current Balance</u>	As per standard credit reporting guidance
<u>Credit Limit</u>	Any temporary increase or decrease to credit limit facilities must be reflected in the limit provided

<u>Additional Positive Data for Consumer Credit and Store Cards</u>	
<u>Payment Code</u>	Where a payment deferral is granted, the M (minimum payment) code should <u>not</u> be set.
<u>All other fields</u>	As per standard credit reporting guidance

Reporting for Consumers who do not have an Emergency Payment Freeze

For consumers who have not been offered a payment freeze then (so long as you are meeting regulator requirements) standard credit reporting should take place. Missed payments and new defaults should therefore be reported in the usual way.

CRA Contacts for Data Contributors

The CRAs have dedicated inboxes for data contributor queries about how to implement this guidance, including questions as to submission timing and data rectification:

Equifax: ukaskdata@equifax.com

Experian: CAISConsultancy@uk.experian.com

TransUnion: data.assets@transunion.co.uk

Exit Arrangements and Payment Freeze Extension Reporting

Please see the attached Addendum which sets out the CRA position in respect of exit from emergency payment freezes and how extended freezes should be reported to meet FCA requirements.

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 as the FCA's emergency payment freeze guidance is updated from time to time.

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.

Addendum – Exit Arrangements and Payment Freeze Extension Reporting

The CRAs recognise that decisions on how to treat a consumer upon exit or continuation of an emergency payment freeze is a matter for lenders, trade associations and regulators. The CRAs are however looking ahead at possible impacts to the integrity of the data and to the impact on consumers.

The following information describes two possible scenarios for the reporting of consumer accounts when the payment freeze has ended, and the consumer is able to revert back to some form of regular payment. This should be seen as best practice from the credit reference agencies.

The guiding principle of the emergency payment freeze guidance is that any negative impact to a consumer's credit file and score is minimised by freezing payment status (for those cases related to COVID-19), and that frozen payments are not reported as missed payments.

The same principle should apply on the exit of these special arrangements. The benefits to the consumer of having had payment status codes frozen during the emergency payment freeze should not be undone simply by the lifting of the emergency payment freeze. Lenders should use the frozen status code as the re-start point and report on how a consumer repays from that point on.

The FCA has now issued further guidance, where consumers will be able to extend payment holidays/deferrals and therefore continue to be reported to CRAs as having the benefit of an emergency payment freeze.

The following two examples represent the more common scenarios that will be apparent upon exit of an emergency payment freeze, where the customer is able to revert back to and maintain their previous contractual commitment:

Scenario 1 – Consumer able to revert to regular payments

Where a consumer's payment status was frozen at 0, the CRAs would not expect to see their status immediately jumping from a status 0 to status 3 or 4 upon exit from the freeze. In this scenario, if the consumer is able to resume their first post-exit monthly repayment in-line with the contracted expected amount, and then maintain at that level, they should continue to be reported as status 0.

This effectively becomes reporting as normal albeit from the point of resumption. (See pre-Covid 19 guidance¹ on how to report).

Scenario 2 – Payments over and above and continuation of full payments

If a consumer is up to date before a payment freeze, and given an emergency payment freeze, they should not move to arrears status 3 simply because they exit the payment freeze period. The payment status should be reported as up to date on the exit of a payment freeze. The monthly payment / repayment amount should still be provided in line with contractual obligations even if the consumer may be repaying a higher amount (either

¹ SCOR Data Quality Reference Guide, v2 January 2019

as a lump sum or a temporary increase each month) in order to repay missed payments. An arrangement code/flag should NOT BE provided.

Consideration does need to be given to the different types of recovery solution and how appropriate it may be to each customer. In all cases, the consumer must be aware of any new obligations or changes that will apply after exit, along with any potential reporting implications. There may be circumstances where both the consumer and lender will require a further period of time to understand the best outcome and timescales for an appropriate solution.

Therefore any implementation period for a new solution should also be factored in, when reporting on the customer's position.

The CRAs recognise that there will be further scenarios that will arise after the payment freeze has ended. Additional guidance will be provided in due course after consultation with industry bodies.

Should you have any concerns with the scenarios included in this guidance, please discuss these with your trade association or credit reference agency.

Version Control

Version	Date	Comments
1.0	25/03/2020	Initial Version
1.1	21/05/2020	Includes clarification for cards, loans and overdrafts following publication of FCA guidance. Makes clarifications for Status Code scenarios 3, 4 and 6 and other minor corrections. Includes clarification for reporting accounts without a payment freeze. Includes CRA data submission contact details.
1.2	03/07/2020	Includes Addendum on Exit Arrangements and Payment Freeze Extension Reporting

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