

Advice for people struggling to pay essential bills because of coronavirus



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For those worried about paying utility bills or repaying credit cards, loans or mortgages due to the impact of coronavirus, the below guidance sets out the steps you can take to get the support you need.

In the first instance, people struggling to pay essential bills are encouraged to:

contact your provider: if you think you might have a problem paying a bill, contact your provider as early as possible to explain, and receive help with paying your bills

ask for help if you need it: if you are struggling with your bills or credit commitments, free advice is available. coronavirus has affected the entire nation and many of us need support now, even if we never have before

explore payment options: if you are struggling with bills, it is better to agree a payment plan with your provider and keep making regular instalments, rather than cancelling direct debits and letting debt build

Business Minister Paul Scully said:

We know it is a particularly difficult time for households across the UK, with many struggling to keep up with bills, loan payments and mortgages due to the impact of COVID-19.

The government, regulators and industry acted quickly in March to assist as many people as possible, with measures including mortgage holidays, and support for energy, water and telecoms customers.

I would urge those who are struggling to speak with their providers, seek out free advice and explore the payment options open to them.

In response to the impact of coronavirus, the government agreed a raft of measures with providers across a range of sectors to ensure struggling consumers are treated fairly. These agreements cover the following sectors.

1. Energy

The government has agreed a set of principles with domestic energy suppliers to support consumers impacted by coronavirus.

Energy companies will seek to identify and prioritise customers who may need additional support, taking into account Priority Service Register customers, prepayment meter customers, and customers who are vulnerable to having a cold home.

Based on individual circumstances, firms may offer support such as:

reassessing, reducing or pausing debt repayment and bill payments for domestic customers in financial distress

referring customers who are struggling to pay to third party debt advisers such as StepChange and Citizens Advice

suspending credit meter disconnections

Firms will also support prepayment meter customers directly or indirectly impacted by coronavirus to stay on supply. Based on individual circumstances, support could include:

extending discretionary/ friendly credit or sending out a pre-loaded top up card

enabling customers to nominate a trusted third party to be able to pick up discretionary credit sent to a shop on their behalf

switching smart prepayment meters into credit mode or

extending non-disconnection periods (consumers will be made aware any credit will need to be paid back)

contacting prepayment customers with advice on what to do in the event of government and Ofwat, the economic regulator of the water sector in England and Wales, remain in close contact with water companies on the water industry's response to coronavirus. All water companies have measures in place for people who struggle to pay for their water and wastewater services, these include:

continuing to help customers pay their bills through WaterSure, Social Tariffs and other affordability schemes

actively offering payment breaks or payment holidays

adjusting payment plans urgently to help with sudden changes in household finances

simplifying the processes for customers to get extra assistance

helping customers get advice on benefits and managing debts, particularly for customers who have not been in financial difficulties before

3. Telecoms

The government is working closely with telecoms providers to ensure they treat customers who are struggling to pay their bills fairly, and to help them stay connected. Firms are asked to:

prioritise support for customers who might be struggling to pay their telecoms bills, offer advice on managing telecoms debt and strengthen their work with consumer bodies such as Citizens Advice and other organisations who could help these customers

offer options to struggling customers, such as a payment plan, a cheaper tariff, or a delay on their payment

avoid disconnection for struggling customers, treating it only

as a last resort

4. Mortgages

At the start of the pandemic in March, the Financial Conduct Authority published guidance setting out their expectation that firms offer mortgage payment holidays. Mortgage holidays allow customers affected by coronavirus to defer making up to 6 monthly mortgage payments (although interest will still accrue during this period). Eligible customers can apply for these until 31 March 2021.

Alongside this, the FCA and government have been in close contact with mortgage lenders and administrators to make sure they treat consumers fairly during the coronavirus pandemic. Further measures agreed with lenders include:

providing consumers with options when their payment holiday comes to an end to ensure they continue to get support they need

not repossessing homes before 31 January 2021, except in exceptional circumstances

For more information on managing your money during and after the coronavirus pandemic, you can also use the Money Advice Service's Money Navigator Tool.

5. Loans, credit cards overdrafts, motor finance and other forms of credit

The FCA has also stepped in to make sure those having temporary difficulties meeting loan or credit commitments due to coronavirus can request payment deferrals of up to 6 months in total, on:

a personal loan, credit card, store card or catalogue credit product

motor finance or leasing payments

buy-now-pay-later agreements

rent-to-own agreements

pawnbroking agreements

If people are having temporary difficulties meeting payments due to coronavirus, they can also request a payment deferral on a high-cost short-term credit loan for at least 1 month.

Consumers have until 31 March 2021 to apply for an initial or further payment deferral. After that date, they will be able to extend existing deferrals to 31 July 2021, provided the extensions cover consecutive payments, and subject to the maximum 6 allowed.

Consumers who have already had 6 months of payment deferrals or who are receiving tailored support will not be eligible for a further payment deferral. Instead, firms will provide tailored support appropriate to the customers circumstances. This may include the option to defer further payments.

Consumers who are struggling with the cost of their overdrafts as a result of coronavirus will be able to request support which reflects their individual circumstances, as set out in the FCA's tailored support guidance published in September 2020. This could include reducing or waiving interest.

The FCA has full information on eligibility.

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6. Insurance

The FCA has agreed a range of options that insurers may consider appropriate to help customers, including:

reviewing cover based on risk/needs to reduce premiums

waiving administration and cancellation fees

partly refunding premium payments where the whole amount has been paid up front

providing tailored support appropriate to the customers government has acted to protect renters during the pandemic by suspending eviction proceedings for 6 months, to 20 September, as well as changing the law to extend the notice period landlords must give their tenants to 6 months, except in the most serious cases, until at least the end of March 2021.

Alongside this, the government has provided a comprehensive package of support to help prevent people getting into financial hardship or rent arrears as a result of coronavirus:

we have quickly and effectively put in place £9.3 billion of additional support through the welfare system this year

this includes an extra £1 billion to increase Local Housing Allowance (LHA) rates so that they cover the lowest 30% of market rents. This will remain in place until the end of March 2021

for those renters who require additional support, there is an existing £180 million of government funding for Discretionary Housing Payments made available this year, an increase of £40 million from last year and which is for councils to distribute to support renters with housing costs

Where tenants are struggling to pay their rent, they should speak to their landlord at the earliest opportunity to allow both parties to agree a workable way forward. They may also wish to seek advice from specialist providers such as:

Shelter

Citizens Advice

The Money Advice Service

8. Council tax

Each local authority has its own Local Council Tax Support (LCTS) scheme which provides reductions in council tax for low-income residents. There may also be other support available, including through the range of discounts and

exemptions that can be applied to council tax. Further detail is available in the Plain English Guide to Council Tax.

General guidance and further advice

For those that are still worried about their finances, or who would like more information on how to best manage their budget, the government-backed Money Navigator Tool provides guidance tailored to individual needs, including directing individuals to further advice where appropriate, such as free debt advice.

Consumers that are worried about debts or have already missed payments should consider accessing free and independent debt advice directly. The government sponsored Money Advice Service (part of the Money & Pensions Service) can help you find support via The Debt Advice Locator.

Further independent debt advice for those who can't keep up with payments can be found from the below trusted organisations:

Citizen's Advice (Tel: 03444 111 444)

National Debtline (Tel: 0808 808 4000)

Step Change (Tel: 0800 138 1111)

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