

MPs urge govt to extend FCA powers

Financial Times - 19 March 2020



MPs have urged the government to grant further regulatory powers to the City watchdog in a bid to ensure currently unregulated firms do not capitalise on the coronavirus crisis.

Seema Malhotra, co-chair of the all-party parliamentary group on mortgage prisoners, and Kevin Hollinrake, co-chair of the APPG on fair business banking, wrote to the chancellor yesterday (March 18), asking him to protect the most vulnerable homeowners and businesses.

They said: “We fully recognise and support the work of the banking and insurance sectors and government to get ahead of these very fast-moving events.

“However, we must recognise that unless the actions taken are expansive enough, the most vulnerable businesses and homeowners will be affected.”

In particular, both parliamentary groups were “extremely concerned” the lack of regulation of so-called ‘vulture funds’ could become an opportunity for them to capitalise on the situation.

The MPs’ letter asked the government to use its emergency powers to grant further regulatory powers to the FCA so the watchdog could direct firms currently outside its perimeter, such as ‘vulture funds’, to come in line with other regulated lenders.

They added: “Light touch, circuitous measures we have seen thus far are not good enough.”

‘Vulture funds’ are private equity firms which buy up loan books, primarily mortgages, from active lenders and chase the payments. Mortgage lending generally speaking is regulated but such firms fall outside the Financial Conduct Authority’s regulatory scope.

The borrowers whose loans are held by ‘vulture funds’ are often dubbed mortgage prisoners as they are still stuck in products which they took out before the financial crisis.

These consumers are often blocked from switching to better rates due to changes in lending practices and because their current lender — the vulture fund — is inactive so does not offer other mortgages.

Earlier this week the government announced mortgage lenders would provide up to three months’ relief from mortgage payments to consumers who needed it, but it is unlikely this would stretch to unregulated lenders.

It also said there would be [no new possession proceedings through the courts during the crisis](#).

The MPs asked the chancellor to ensure mortgage prisoners were exempt from repossessions, had the ability to request payment holidays without having to go through affordability assessments and those in arrears had the same access to the government’s benefits.

Ms Malhotra and Mr Hollinrake also raised concerns about small businesses — such as those in the gig economy — and self-employed tradespeople who may be unable to quickly and easily access finance.

They added: “We call on the government to provide a comprehensive support package.”

imogen.tew@ft.com