

Yorkshire Building Society

Collections and Recoveries Policy Overview

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1. Purpose

The Purpose of the Policy

This policy lays down the rules and approach for Mortgage Collections and Recoveries (MCR) to support customers with secured and unsecured lending in returning to a position of financial health whilst reducing credit losses.

The two key risks associated with MCR activities which could lead to customer detriment, adverse impact on YBS profitability and/or regulatory scrutiny & censure are:

- YBS may fail to treat customers fairly when administering their account as a result of inadequate training or process non-compliance;
- YBS takes an unplanned level of credit losses due to poor pre-arrears, collections and recoveries activities.

Applicable Regulations and Legislation

This policy reflects YBS's obligation to comply with the requirements of the Financial Conduct Authority (FCA) Handbook, specifically including regulations stipulated within:

- The High Level Standards - Principles of Business (PRIN).
- The Mortgage and Home Finance - Conduct of Business Sourcebook (MCOB).
- The Consumer Rights Act (CRA).
- Payment Services Regulations (PSR).
- The Ministry of Justice's Pre-Action Protocol for Possession Claims.
- The Consumer Credit Sourcebook (CONC).
- Dispute Resolution: Complaints (DISP).
- The Banking: Conduct of Business Standards Sourcebook (BCOBS).

Requirements of the Policy

The policy focuses on minimising actual losses whilst ensuring compliance to;

- regulation;
- legislation; and
- Codes of Practice including Treating Customer Fairly (TCF).

Thereby mitigating reputational risk and enhancing the customer experience. YBS will ensure that it provides adequate resource both internally and externally through the appointment of third party providers with the appropriate skills and levels of authority to contact and support our customers in a clear, fair and reasonable manner and in accordance with all policies and strategies.

2. Scope

This policy applies to all colleagues at all locations that YBS operates.

This policy is applicable to all of the following retail brands and products:

Brands:

- Accord Mortgages (Intermediary Subsidiary)
- Yorkshire Building Society (YBS)
- Chelsea Building Society (CBS)
- Norwich and Peterborough Building Society (N&P) including the Astra brand

Products:

- Residential Mortgages including Shared Ownership and Iberian Portfolios
- Buy to Let Mortgages including Accord Portfolios
- Unsecured personal loans

- Secured personal loans
- Current account overdrafts

3. Definitions

- **Accountable Colleague Mandate** - the Accountable Colleague Mandate exists to delegate authority to Directors or Senior Manager Roles, as direct reports to a Chief Officer.
- **Affordability** - the process of establishing a customer's ability to pay and sustain payments usually based on an Income and Expenditure assessment.
- **Arrears** - the sum of monthly instalments that have become due under the contract but which remain unpaid.
- **Colleague** - YBS colleagues (permanent and temporary).
- **Collections** - where YBS attempts to contact customers in arrears to agree solutions before financial difficulties become too far established.
- **Complaint** - YBS's complaint definition is, "An expression of dissatisfaction where there is alleged or actual financial detriment, or material distress or inconvenience".
- **Customer** - a person or organisation, receiving advice, a service, using the facilities, or engaged in a business relationship, or any other person or organisations.
- **Exit Strategy** - alternative options to repossession in the event that the customer is unable to afford and sustain their mortgage repayments.
- **Financial Difficulty** - customers who are having trouble making their contractual payments.
- **Forbearance** - the act of refraining from enforcing the repayment of a debt.
- **Government Schemes** - a range of government forbearance initiatives aimed at customers struggling to meet their mortgage payments.
- **Iberian** - Iberian Peninsula includes Gibraltar.
- **Law of Property Act (LPA) Receivers** - the appointment of a Receiver to take control of BTL mortgaged properties with roles including collecting rental income direct from the tenants, maintenance and repairs of the property and potentially looking at the sale of the property.
- **Litigation** - the process of taking legal court action by a lender to repossess a mortgaged property.
- **Pre-Arrears** - customers who are worried about their financial situation, but are not yet in arrears or who YBS believe may be at most risk of not repaying their mortgage/most vulnerable to payment shocks.
- **Third Party Suppliers** - external firms that provide specialist services to MCR including Asset Managers, Field Agents, Legal firms supplying litigation and conveyancing support, Debt Collection Agencies and Loan Servicing Partner.
- **Possession** - where YBS has taken possession of a property that is the subject of a mortgage contract.
- **Recoveries** - the process of collecting any residual shortfall following the sale of the property.
- **Shortfall** - where there is not enough money from the sale of the mortgaged property to repay the whole of the mortgage.
- **Unsecured** - N&P offerings in respect of overdraft facilities and personal loans.

4. Policy Statements

General

For all secured lending (residential mortgages including Shared Ownership and Iberian Portfolios and BTL) the following principles will apply. Any exceptions for specific niche products are highlighted. YBS will support its customers who are, or, who have indications that they are in financial difficulty with their mortgage, personal loan and current account overdraft.

YBS will ensure that reasonable attempts are made to contact all customers in financial difficulties by way of a clear, structured and flexible suite of strategies that deal fairly with the variety of customer circumstances. Where this is not possible, or where all forbearance options including exit strategies have been exhausted, legal action (including the appointment of an LPA Receiver) will be considered as a last resort, as detailed within the Operating Standards.

YBS will avoid undue pressure on customers by ensuring that outbound calls are made within reasonable working hours of 8am - 8pm on weekdays and 9am - 5pm at weekends. YBS will have regard to the circumstances of the customer and any knowledge it has of their work pattern or religious faith which might make it unreasonable to contact the customer during these hours. YBS will use clear plain English that is easy to understand, accurate and not misleading.

Where the arrears on the customer's account exceed two monthly mortgage payments, YBS will, within 15 business days, provide the customer with the following information in writing:

- The current FCA information sheet on mortgage arrears;
- A list of the due monthly mortgage payments either missed or only paid in part;
- The total amount of the arrears;
- All charges, such as monthly administration fees, applied to the account as a result of the arrears;
- An indication of the nature and, if possible, the level of the charges and fees that the customer is likely to incur unless the arrears are cleared; and
- The total amount outstanding under the mortgage account (excluding charges that may be applied upon redemption).

YBS will use reasonable efforts to reach an agreement with the customer for the clearance of arrears. YBS will:

- Provide customers with details of free debt advice charities and organisations and will liaise with them about arrears if requested to do so;
- Allow a reasonable time to repay the arrears (where appropriate this could be over the remaining term), which is affordable and practical to the customer's circumstances. For BTL mortgages arrears can only be paid over a maximum of 6 months as detailed within the Operating Standards;
- Change the payment dates and/or method of payment;
- Only consider forbearance treatment or combination of treatments with the full awareness of the customer's individual circumstances;
- Where a second consecutive Direct Debit request has been refused due to insufficient funds, YBS will automatically cancel the Direct Debit and attempt to contact the customer to establish whether Direct Debit is a suitable method of payment;
- Consider extending the mortgage term where the customer's financial problems are of a long term nature - this does not apply to BTL mortgages;
- Consider capitalisation as a last resort where no other option is realistically available to assist the customer - this does not apply to BTL mortgages;
- Make customers aware of the existence of any applicable Government Schemes; and
- Give customers adequate information to understand the implications of any proposed arrangement and be able to justify a decision to offer a particular option or give the customer a written explanation of its reasons if it refuses a request.

Customers may be recognised as vulnerable through self-identification or through indicators identified within the Vulnerable Customer Policy. YBS colleagues have a duty of care when interacting with any customer or to highlight and identify potential vulnerabilities. Due to the diversity of the factors that can contribute to the level of customer vulnerability there will not be one approach that can be adopted to fit each circumstance. The over-riding principle that must be adhered to in our dealings with vulnerable customers is that fair outcomes are achieved.

Recoveries

For residential secured lending, legal action will be considered as a last resort after all other forbearance options including exit strategy options have been exhausted, including voluntary sale and voluntary surrender. Before commencing litigation for possession of a mortgaged property, YBS will advise the customer of the following in a Final Demand letter:

- the case is being referred to a solicitor to recover the arrears, by giving the customer 15 business days notice in writing unless the arrears are cleared/an arrangement is made to clear the arrears;

- The need to contact the local authority to establish if they are eligible for local authority housing if the property is repossessed;
- The payments due, the amount of the arrears, the total amount outstanding under the mortgage account (excluding charges that may be added on redemption), the charges applied to the account and an indication of the nature and, if possible, the level of the charges and fees that the customer is likely to incur if action for possession is commenced; and
- This will all be provided in a written statement.

For Buy to Let Mortgages including Accord Portfolios, following a final demand letter, YBS will instruct a Law of Property Act (LPA) Receiver who, on behalf of the customer, will take over the role of the owner. The LPA Receiver will collect rental income directly from the tenant, produce a strategy report outlining a disposal strategy and have full discretion as to how to deal with the property e.g. safety matters, essential repairs, payment of ground rent.

YBS will ensure that when a property is repossessed (whether voluntarily or through legal action), steps are taken to market the property for sale as soon as possible and obtain the best price that might reasonably be paid, taking account of factors such as market conditions as well as the continuing increase in the amount owed under the customer's mortgage account.

YBS will ensure that, as soon as possible after the sale of the repossessed property, if the proceeds of sale are less than the amount due under the mortgage, the customer is informed of the sale shortfall and if relevant the fact that the sale shortfall may be pursued by another company. If the decision is made to recover the sale shortfall, YBS must ensure that the customer is notified of this intention within six years of the date of the sale (five years in Scotland).

YBS will ensure that, on the sale of the property, if the proceeds of sale are more than the amounts due, reasonable steps are taken to inform the customer of the surplus and, subject to the rights of any subsequent mortgage or charge holders, to pay it to them.

Unsecured Lending - N&P Current Account Overdrafts and Unsecured Personal Loans

Repayment Plans and Full and Final Settlement offers will only be made with the full awareness of the customer's individual circumstances.

YBS will consider writing off or not pursuing part or all of the customer's unsecured debt(s) where income and expenditure shows that their personal and financial circumstances are exceptional and/or unlikely to improve or it is deemed uneconomical to continue to pursue the customer having exhausted the contact strategy.

Manager Referral

A clearly defined and formally approved process to empower appropriately mandated colleagues to agree a solution/treatment which achieves a fair outcome for both the customer and YBS is in place. In these instances approved MCR colleagues must use a Manager Referral where the rationale to step outside of prescribed standards must be fully documented in the Referral submission.

Disputed debt/Suspected fraud

In the event that fraud or fraudulent activity is suspected, MCR must act in accordance with YBS Financial Crime Policy.

Fees and Charges

Details of all charges are included within the Terms and Conditions and are applied in accordance with the Operating Standards. Any charges and fees will be a reasonable estimate of the underlying costs incurred by YBS. YBS will not apply charges where the customer is making an arrangement with us.

5. Implementation and Monitoring

Implementation

This policy will be implemented through communicating its requirements and associated Operating Standards to all MCR colleagues. This is achieved through MCR's Change Management Framework that, depending on the size and scale of the change, utilises a variety of methods including:

- Comprehensive Training & Competency (T&C) framework;
- Colleague Huddles;
- Colleague Training Sessions (new starter and ongoing) including, where appropriate, knowledge testing; and
- Important Information Messages (e-mail communications for MCR colleagues).

Monitoring

Arrears handling management information (MI) and risk appetite measures are reviewed by the MCR Management Team on a monthly basis to provide regular oversight in the effective management of credit losses and customer outcomes as well as adherence to this policy and supporting policy guides by colleagues. Where issues/trends are identified that suggest this policy is not being followed, or policy/process are not effective, actions are formally tracked through the MCR MI and Performance Forum (MCR MIPF) monthly and escalated to Customer Services Division Risk Committee (CSDRC).

Achieving and maintaining competency is monitored through a formal training competency scheme. Outputs are reported and reviewed by the MCR management team. In addition, outputs are reported via a prescribed set of key performance indicators and conduct risks sub-appetite metric, which are reviewed and reported via the formal governance framework and escalation process described above.

YBS operates controls within business functions - whether mandate levels, in-built process controls, or management checking. The Director of Customer Service has primary responsibility for these controls to ensure adherence to this policy. Additionally, a programme of oversight from 1st line risk teams and 2nd/3rd line functions will provide regular assurance and engagement from an independent perspective.

Oversight of Arrears handling is undertaken by the following activities: ACCOUNTABILITY	ROLE HOLDER (Director)
Quality Assurance	Director of Customer Services
Group Training & Competency (T&C)	Director of Customer Services
Compliance Monitoring	Director of Compliance
Audit Monitoring	Director of Internal Audit

Third party providers will be monitored through MCRs Third Party Provider Audit Programme to ensure that the performance of the provider is monitored in line with the contract and that the provider remains compliant with contractual requirements. Should a third party provider fail to comply, steps may be taken to suspend or reduce the flow of new business until clear evidence is available to demonstrate that their behaviour and approach is that of the standard required. Failure to meet the standard may result in termination of the partnership. The Supply Chain Policy must be followed at all times.

6. Approval

This policy is owned by the Senior Manager Credit Risk - Portfolio & Decisioning Systems and sponsored by the Director of Customer and Commercial Risk. This policy document will be reviewed at least annually as part of the ongoing governance of policy and process. This policy must then be approved annually by the Executive Risk Committee (ERC).