



## **YORKSHIRE BUILDING SOCIETY**

# **COLLECTIONS AND RECOVERIES POLICY OVERVIEW (RETAIL)**

Updated October 2024

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## 1. Purpose

### The Purpose of the Policy

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

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

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

### Applicable Regulations and Legislation

Yorkshire Building Society is a member of the Building Societies Association and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

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). Specifically MCOB 13.
- The Consumer Rights Act (CRA).
- The Ministry of Justice's Pre-Action Protocol for Possession Claims
- The Consumer Credit Sourcebook (CONC).
- Dispute Resolution: Complaints (DISP).
- Money Advice Liaison Group (MALG) Guidelines "Good Practice Awareness Guidelines for Consumers with Mental Health Problems and Debt".

### Requirements of the Policy

All persons in scope of this policy are required to adhere to its contents.

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

- regulation;
- legislation; and
- Codes of Practice including the delivery of good customer outcomes.

The Society 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 the Society operates.

This policy details the Society's Collections and Recoveries policy for Retail lending. It covers the following brands which are trading names of Yorkshire Building Society:

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

Accord Mortgages Limited is a wholly owned subsidiary of Yorkshire Building Society, containing Accord Mortgages and Accord BTL brands which are trading names of Accord Mortgages Limited.

This policy applies to the following products;

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

Yorkshire Building Society remains accountable for oversight and monitoring of the performance of these portfolios, as well as regulatory responsibility for the outcome and fair treatment of customer's serviced by Target.

This policy does not include YBS Commercial lending which is covered under a separate policy.

### 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 and wider indebtedness.
- **Arrears** - the sum of monthly instalments that have become due under the contract but remain unpaid.
- **Colleague** - Society colleagues (permanent and temporary).
- **Collections** – where the Society attempts to contact customers in arrears to agree solutions before financial difficulties become too far established.
- **Complaint** - the Society'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** – relates to customers who are having trouble with their finances, this includes customers who have not yet missed a contractual mortgage payment.
- **Forbearance** – an agreement made with the customer in regards to making regular payments with the aim of returning to a sustainable position, as a desirable alternative to taking possession. This can also include a period of underpaying.
- **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 who, on behalf of the customer will collect rental income direct from the tenants, ensure maintenance and repairs of the property and potentially look at the sale of the property.
- **Litigation** – the process of taking legal court action by a lender to repossess a mortgaged property.
- **MSO** – Mortgage Sales Origination system. A mortgage origination system launched in July 2019 that automates parts of the underwriting journey giving mortgage brokers, who use the Accord mortgage brand a seamless customer experience.
- **Payment Shortfall** – the total sum of periodic payments of capital or interest (or both) that have become due under the terms of the mortgage contract but which, in breach of those terms remains unpaid.
- **Pre-Arrears** - customers who are worried about their financial situation, but are not yet in arrears or who the Society 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 MPS including Asset Managers, Field Agents, Legal firms supplying litigation and conveyancing support, Debt Collection Agencies and Loan Servicing Partner.
- **Possession** – where the Society 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.
- **Sale Shortfall** - where there is not enough money from the sale of the mortgaged property to repay the whole of the mortgage.

## 4. Policy Statements

The below policy statements set out the expectations of this policy with regards to what a colleague must or must not do.

This section applies to all Retail lending on the portfolio as outlined in section 2 of this policy. Any exceptions are clearly noted.

Yorkshire Building Society will support its customers who are, or, who have indicated that they are in financial difficulty with their mortgage, including those customers who are not yet in arrears.

The Society will ensure that reasonable attempts are made to contact all customers in collections 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.

### 4.1 Record Keeping

The Society must keep accurate records of its dealings with customers in financial difficulty or sale shortfall. Records must be kept for a minimum of 3 years from the date of the dealings. This includes:

- Date and time stamped Call Recordings;
- Details of all written correspondence; and
- A record of all case notes which are dated.

All Records must be kept in line with the Information Management Policy.

### 4.2 Vulnerable Customers

Customers may be recognised as vulnerable through self-identification or through indicators identified within the Vulnerable Customer Policy.

The Vulnerable Customer Policy ensures that the Society delivers good outcomes to our customers and to consider the circumstances of each individual and in our dealings with them tailor our approach, removing any barriers that restrict the customer accessing our products and services.

Colleagues have a duty of care when interacting with any customer 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 good outcomes are achieved.

It is therefore essential that colleagues take a flexible approach as our failures can lead customers to suffer financial and non-financial impacts. Stepping outside of Policy and Mandatory Standards can be achieved through Mandate Referral and the Vulnerable Customer Panel.

### 4.3 Mandate Referral

A clearly defined and formally approved process to empower appropriately mandated colleagues to agree a solution/treatment which achieves a good outcome for both the customer and the Society is in place. The Mandate Referral should be used where an associate, with appropriate rationale, needs approval to step outside of a mandatory standard.

### 4.4 Provision of information to customers in arrears

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

- The current MoneyHelper information sheet "Problems paying your mortgage";
- 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;
- The total amount outstanding under the mortgage account (excluding charges that may be applied upon redemption); and

- 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.

Where the shortfall on the customer's account remains two monthly mortgage payments or more, the Society will, on a quarterly basis, provide the customer with the following information in writing:

- The actual amount of payment shortfall;
- A list of the payments due that have been missed or only paid in part; and
- A list of monthly administration fees, legal costs and interest applied to the account as a result of the arrears.

In dealing with all customers in financial difficulty the Society will:

- Avoid undue pressure on customers by ensuring that outbound calls are made within reasonable working hours, as detailed in the Collections and Recoveries Guidance;
- 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;
- Use clear plain English that is easy to understand, accurate and not misleading;
- Communicate the potential benefits of accessing money guidance and debt advice and inform customers that free and impartial money guidance and debt advice is available.
- Provide customers with details of the debt advice charities and 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. The length of time available to repay arrears may differ by lending type as detailed within the Collections and Recoveries Standards; and
- Where a second consecutive Direct Debit request has been refused due to insufficient funds, the Society will automatically cancel the Direct Debit and attempt to contact the customer to establish whether Direct Debit is a suitable method of payment.
- The Society will not automatically attempt to collect a Direct Debit twice within the same month, unless specifically requested by the customer on an ad-hoc basis.

#### 4.5 Forbearance

The Society will use reasonable efforts to reach an agreement with the customer for the clearance of (or initial prevention of) arrears, as detailed in the Collections and Recoveries Standards.

The Society will only consider forbearance treatment or a combination of treatments with the full awareness of the customer's individual circumstances. Forbearance treatment is permitted to customers facing financial difficulty either prior to the build up of arrears, or following missed payments. Associates must;

- Ensure all forbearance treatments are affordable and remain appropriate;
- Make customers aware of the existence of any government forbearance schemes to assist borrowers in payment difficulties, where applicable;
- Give customers adequate information to understand the implications of any proposed arrangement and of not agreeing an arrangement. This information must include the potential impact on the overall balance and how it will be reported on a customer's credit file.
- Be able to justify a decision to offer a particular option or give the customer a written explanation of its reasons if they refuse a request; and
- Give customers an adequate period of time to consider any proposals for dealing with the payment difficulties.

#### 4.6 Litigation

For 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 or instruction of a Law of Property Act Receiver.

Before commencing action for repossession the Society will advise the customer of the following in writing:

- 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;

- The total amount outstanding under the mortgage account (excluding charges that may be applied upon redemption);
- An indication of the nature and, if possible, the level of the charges and fees that the customer is likely to incur unless if action for possession is commenced;
- The need to contact the local authority to establish if they are eligible for local authority housing if the property is repossessed; and
- The action that will be taken with regard to repossession by giving the customer 15 business days' notice in writing, that unless the arrears are cleared/an arrangement is made to clear the arrears the case is being referred to a solicitor to recover the arrears.

Any subsequent charge holders will be informed of the commencement of legal proceedings once solicitors are instructed.

#### **4.7 Law of Property Act (LPA) Receiver**

Following a Final Demand, where appropriate the Society will instruct a LPA receiver who, on behalf of the customer will:

- Collect rental income directly from the tenant;
- Produce a strategy report outlining a recommended disposal strategy;
- Deal with matters arising with the property such as safety matters, essential repairs and payment of ground rent, subject to mandate (mandates are detailed within the YBS Collections and Recoveries Guidance).

The instruction of an LPA is limited to Mortgages within the jurisdictions of England & Wales.

#### **4.8 Possession**

The Society 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.

Where a customer voluntarily surrenders possession of their property subsequent charge holders must be provided with notice of the surrender as soon as reasonably practical.

The Society 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, the Society must ensure that the customer is notified of this intention within six years of the date of the sale (five years in Scotland).

The Society 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.

#### **4.9 Fees and Charges**

Fees and charges are applied in accordance with the Tariff of Mortgages Charges and will be a reasonable estimate of the underlying costs incurred by the Society. The Society does not apply arrears fees. Fees associated with Collections or Recoveries activity will be applied to the mortgage balance.

#### **4.10 Disputed debt / suspected fraud**

In the event that fraud or fraudulent activity is suspected, MPS must act in accordance with the Society's Financial Crime Policy and Financial Crime Business Standards.



## 5. Implementation and Monitoring

### Implementation

This policy will be implemented through communicating its requirements and associated Standards and Guidance to all MPS colleagues. This is achieved through MPS'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 MPS colleagues).

### Monitoring

Arrears performance and risk appetite management information (MI) is produced and reviewed monthly by the Conduct and Credit Risk Team. Arrears handling and operational performance MI is produced and reviewed monthly by the MPS team.

MI is reviewed 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 Collections MI and Performance Group (MIPG) monthly escalations, where required, are made to senior management.

Outputs are reported and reviewed by the MPS 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.

Achieving and maintaining competency within MPS is monitored through a formal training competency scheme.

Controls across the Society are; mandate levels, in-built process controls and 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.

<b>Oversight of Arrears handling is undertaken by the following activities: ACCOUNTABILITY</b>	<b>ROLE HOLDER (Director)</b>
Quality Assurance	Director of Shared Services & Resilience
Group Training & Competency (T&C)	Director of Shared Services & Resilience
Compliance Monitoring	Director of Compliance
Audit Monitoring	Chief Internal Audit Officer

Third party providers will be monitored through MPS's 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 Procurement, Outsourcing and Third Party Risk Policy must be followed at all times.

## **6. Approval**

This policy is owned by the Senior Manager Portfolio & Collections, Conduct and Credit Risk and sponsored by the Director of Conduct and Credit Risk.

This policy document will be reviewed at least annually as part of the ongoing governance of policy and process. This policy must be approved annually by the Executive Risk Committee (ERC).