

Breathing Space

The Debt Respite Scheme (Breathing space Moratorium *and Mental Health Crisis Moratorium*) (England & Wales) Regulation 2020, came into force on 4 May 2021. Under the scheme, there are two types of breathing space: a standard breathing space and a mental health crisis breathing space.

Breathing Space (Standard)

Standard breathing space provides the consumer protection from creditor action for up to 60 days. The protections include pausing most enforcement action and contact from creditors and does not require the borrower to pay interest and fees that accrue on the moratorium debt during this period.

Mental Health Crisis

A mental health crisis breathing space is only available to someone who is receiving mental health crisis treatment and it has some stronger protections. It lasts as long as the person's mental health crisis treatment, plus 30 days.

Reporting Requirements

The credit reference agencies - Experian, Equifax and TransUnion - (CRAs) have worked together to produce suitable data reporting guidance.

The credit reporting requirements stated in the scheme are limited, but the HMG creditor guidance does stipulate that firms that report to credit reference agencies, whether payments are received or not, can continue to report during a breathing space. It also confirms that there should be no effect on a debtor's credit file triggered by starting the breathing space, and no flag or code that will stay on the file after the breathing space has finished.

Whilst individuals are still encouraged to continue with their regular payments, it is possible that payments will cease during the period.

If no payments are made, standard arrears reporting should commence. If the account was already in arrears, reporting should continue

Lenders should continue to report the balance in line with standard reporting requirements.

Additional reporting fields that may be product specific .i.e. repayment amount and period, should continue to be reported as normal.

The only exception to this, is that an account cannot be put into default. This is due to the fact that enforcement action cannot be taken during this period. If an account is already in default, standard default reporting can also continue.

An arrangement flag should not be reported solely because the customer is accessing Breathing Space. If a customer is already on an existing payment 'arrangement' or 'debt payment plan', standard reporting will continue to apply (reflecting whether the customer continues to make the agreed repayments or not). If a change is made to the payment arrangement that has been communicated to the customer, this can be reflected in the reporting.

Irrespective of the type of Breathing space scheme, the credit reporting requirements are the same.