



The Association of Mortgage Intermediaries response to: OFT – Irresponsible Lending – A Scoping Paper

1. Introduction

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI). AMI is the trade association representing over 75% of UK mortgage intermediaries. Over 70% of all mortgage transactions are originated by the mortgage intermediary community, including 58% of regulated contracts.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product from within their panel of lenders to meet the individual consumer's mortgage requirements. Our members also provide access to associated protection products.

Our members are authorised by the Financial Services Authority (FSA) to carry out mortgage and insurance mediation activities. Firms range from sole-traders through to national firms and networks with thousands of advisers. Our members are consumer credit licence holders and are authorised by the Financial Services Authority to carry out mortgage and insurance mediation activities. They therefore already fall into the compulsory jurisdiction of FOS.

AMI would be keen to engage with the Irresponsible Lending project both offering member views and as a trade organisation.

Q1. Do you agree with the OFT initial view that the scope should cover all stages of a lending transaction?

We broadly agree with a wider scope to the project, which may include all stages of the lending transaction, ensuring that all issues potentially involved with irresponsible lending can be considered. By moving to a much smaller and limited scope there is danger that this could lead to focus being applied disproportionately to specific areas, or that the consultation could lack the required breadth of the lending transaction posing a risk of unintended consequences. We assume that in taking a wider view OFT would seek to consider a wider scope, but that this would not necessarily lead to wider application of guidance. This merely provides an opportunity to clearly scope and appropriately address those areas where guidance is suitable.

Q2. Are there any other factors which you think should be included within the scope of the project?

The project may also wish to tackle the consumer's responsibility not to borrow irresponsibly and to provide complete and accurate information as requested. Intermediaries have to rely to some extent upon the information provided to them by consumers. The ability to trust this information along with the client's obligation to borrow within their means should therefore also be included within the scope. This would also tie into FSA's upcoming work on Consumer Responsibilities.

The project may also wish to consider an intermediaries ability to obtain credit reference information for potential borrowers. With many companies removing the use of data supplied by Credit Reference Agencies (CRAs) for intermediaries, clients may be at risk from multiple footprints being left on their credit file from firms unable to find out all the information they require from one source.

Additionally where a cost is borne on the adviser to obtain credit referencing, this cost may either be fundamentally passed onto the client or a lack of tangible credit information obtained to be able to accurately source the client an appropriate deal.

Q3. Are there any other factors which you think should not be included within the scope of the project?

We support the fact that buy-to-let lending has not been included within the scope of consumer credit lending.

Q4. Do you have any other comments or suggestions on the scope of the project?

No comment

Q5. Do you agree with or have any comments or suggestions relating to the proposed methodology?

No comment

AMI
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