



**The Association of Mortgage Intermediaries response to:  
Competition Commission – Market Investigation into Payment Protection  
Insurance – Provisional decision on remedies  
November 2008**

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 fall into the compulsory jurisdiction of FOS.

We broadly support the provisional decisions on the package of remedies designed to eliminate or prevent the adverse effect on competition (AEC).

In our response to the Competition Commission "Notice of Possible Remedies" we urged careful consideration of consumer outcomes, specifically consideration not to elicit unintended consequences. At a time when consumer confidence is at an all time low, an increased vulnerability of consumers is evident in this economic climate. We urged the Competition Commission not to unduly restrict consumers' access to protection products, at a time when they are most needed.

AMI is pleased to see confirmation, that the prohibition on the active sale of PPI by a customer within fourteen days of the sale of credit has been limited to

distributors and not intermediaries. We would encourage the Competition Commission to follow through their recommendation to adopt this approach. AMI also maintains that MPPI should be excluded from the investigation, due to the robust and principally advised sales process from which consumers benefit.

MPPI is very different to other forms of PPI under investigation, such as credit cards or unsecured personal loans. We would urge the Competition Commission not to take a “one size fits all approach” to their investigation. Again, we call for acknowledgement and understanding of the benefits afforded to consumers by using intermediaries who act as agents of the client.

The last six months have seen a marked increase in both understanding and application of regulation by firms selling PPI. The introduction of revised ICOBS coupled with emerging rulings from FOS and existing rules from OFT; has already seen an industry stimulated into addressing the wider issues associated with the sale of PPI. Dual regulation may only serve to confuse this on-going work. Firms wishing to offer their clients a holistic approach may also feel discouraged by the complexity of the additional requirements, and withdraw from this market altogether - leaving vulnerable consumers under protected.

There must also be a distinct separation drawn between product and service advertising. Where products are being advertised, consumers are being invited to purchase. Clear risk warnings and product features should be present - consumers must be in no doubt about what they are purchasing. When brokers are advertising their service, they are inviting a client to contact them to discuss areas in which, they may be able to offer their service. In this service proposition, it is our belief that product features and details serve no purpose to consumers. As always the devil is in the detail and without a clear indication of the “trigger point” for additional advertising disclosure, we can not assess its appropriateness in the wider context of the proposals.

Price comparison has undoubtedly become progressively more important to consumers. They are increasingly technologically competent, but the desire and need for advice from trusted advisers remains. Price comparison sites offer consumers easy access to a significant number of products and providers. What customers can expect is a comparison based on the underlying cost of the product. What should not be expected is a comparison between the qualification terms and flexibility of the product. While we understand the importance of empowered customers - able to shop around - and receiving transparent access to information, the wider market conditions and the complexity of this product demands advice from firms. The cost of the product alone can not be an assessment of its suitability. AMI would therefore strongly argue that shopping around would not constitute as advice.

Finally the mandatory production of annual statements to consumers may bring about unintended consequences. Acting as a trigger for consumers to terminate

existing cover, based on a presumption that cover could be secured for less. Consumers' circumstances may differ from inception and as a result consumers may end up with substandard, or no cover.

AMI

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