



Association of Mortgage Intermediaries response to FSA CP10/6 The assessment and redress of Payment Protections Insurance complaints

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.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product 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.

AMI welcomes the opportunity to respond to FSA's consultation paper on the assessment and redress of Payment Protections Insurance complaints

Introduction

FSA proposals will have a limited effect on the mortgage industry as mortgage payment protection (MPPI) penetration rates were far lower than PPI rates in other sectors. However, we still do not believe that sales failings in other sectors should be used as a reason for applying complaint handling and redress guidance to the mortgage industry. FSA has attempted to apply a one system fits all approach. What would be more appropriate would be to consider the actual circumstance of MPPI complaints before deciding whether complaint handling and redress guidance needs to be applied to the mortgage sector.

Fundamental differences of MPPI

FSA has acknowledged that the sale of payment protection insurance (PPI), when sold alongside a first charge mortgage, is significantly different from the sale of other forms of PPI.

MPPI was generally sold on a regular premium basis and FSA has acknowledged that it has not been subject to the same level of complaints as

other PPI products. Nor have the turn over rates at FOS matched those of other PPI sales.

Complaint handling guidance

The complaint handling guidance will need to be applied to all new MPPI complaints. FSA has still failed to provide sufficient evidence that such guidance is required. FOS's complaint data does not sufficiently justify its inclusion within the scope of the guidance.

Revised redress methodology

FSA has revised its assumption on the future regular premium redress from £160 per case to £990 per case. We agree with FSA that it is right to consider that regular premium MPPI is fundamentally different from other PPI products. The sales failings identified for other sectors and product types should not be read-across into regular premium MPPI.

Implementation

Whilst we accept FSA will want to implement any new rules as soon as possible, we believe that its proposed implementation timeframe is very short. We do not believe that expecting all businesses to implement the complaint handling guidance within one month from implementation and apply the redress methodology within three months is a reasonable timeframe.

Past business review

In the consultation paper FSA has stated that it has placed its past business review proposals on hold, pending the outcome of the Financial Services Bill. However, the Financial Services Bill has now received royal assent in a slightly amended format. A last-minute amendment to the Bill meant that the section 404 scheme did not come into force on royal assent.

FSA has already indicated that it had fewer concerns about the sale of regular premium MPPI, than other PPI sales, as the number of complaints about this product and the proportion of those rejected complaints then overturned by FOS is considerably lower than other PPI products in other sectors. We support FSA view that regular premium MPPI should be excluded from any future rejected complaints review.

Conclusion

AMI is supportive of FSA's acceptance that regular premium MPPI is a fundamentally different product than other PPI products. We support FSA's view

that there is insufficient justification for a past business review of regular premium MPPI sales.

AMI
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