Association of Mortgage Intermediaries' response to FCA's consultation CP14/20 on the Implementation of the Mortgage Credit Directive and the new regime for second charge mortgages

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI). AMI is the trade association representing over 80% 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 Conduct Authority (FCA) 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 FCA's consultation paper on the implementation of the Directive. AMI is responding to this on behalf of the first charge residential mortgage brokers it represents and is responding separately on behalf of the second charge broker members under its Association of Finance Brokers name.

<u>Introduction</u>

AMI's view is that the implementation of the MCD should cause as little disruption as possible to the UK mortgage market. This is because the UK has already reviewed its regulation of the mortgage market through the FCA's Mortgage Market Review (MMR) and as part of the MMR, the FCA stated that the proposed changes met the expected MCD requirements.

The changes made under the MMR were those that FCA decided were relevant to the UK mortgage market to meet its stated objectives.

The MCD has similar consumer protection objectives to the MMR, as well as an aim to enhance internal markets. We are unconvinced that the additional provisions in the MCD will provide any additional consumer protections nor will it enhance the EU internal market for mortgages from the perspective of the UK consumer or industry.

That is not to say that the MCD does not provide appropriate provisions in its own right for other EU member states, but rather that it does not sufficiently enhance the UK's position to justify the costs of making the required changes. However, it could be argued that by FCA implementing MMR ahead of the MCD the benefits have already been banked, leaving only the costly implementation of the areas that the FCA did not want to adopt under MMR.

Second charge as a distinctive market

AMI's long held policy position has been to support the moving of regulation of the second charge mortgage market from OFT to FCA. This was not a criticism of the previous legislation or policy, but a reflection of the need for more focussed supervision of the market which the FCA (FSA) could deliver. The remaining question for the second charge market (seconds) was what rule book it would come under at FCA.

There are certainly some elements of the second charge market that are very closely aligned with that of the first charge market. However, some aspects such as the target market, product design, consumer entry point, sales and advice process are very different.

Some consumers will come to the second charge market as a result of wanting a loan and this may mean that an unsecured borrowing option was considered first. Other consumers may have considered additional borrowing via their principal mortgage lender but do not want to disturb the current first charge mortgage contract, mainly because they have a product with a low tracker rate or their current lender may not want to consider a further advance on existing terms.

The FCA mortgage regime may not be an ideal fit but we accept that the limitations set out by the MCD mean that any alternative option for the size of market created in subsequent charge lending may be unachievable. What is perhaps more important is that the differences applicable to the second charge market are acknowledged and understood by FCA and then applied to its thinking on the implementation of second charge mortgages into its mortgage regime. The policy statement needs to give clear guidance to firms and supervisors when a different approach should apply to the second charge market.

The cost of double change on firms

We accept that the current situation for firms offering second charge mortgages has been caused by a number of factors, not least that the transfer of the consumer credit regime out of OFT and into FCA did not coincide neatly with the MCD timetable. This has left firms experiencing the challenge of second charge loans being first regulated under FCA's CONC rule book but then moving to FCA's MCOB rule book once the EU MCD is implemented on 21 March 2016. It is challenging and costly for firms to understand and deal with the new CONC rules, but to know that those new rules will only apply for less than two years before they are required to move to being regulated under the MCOB rule book is overly burdensome.

The fact that much of the CONC rule book comes from OFT old guidance documents will come as little comfort because of the difference in approach between the FCA and OFT.

What is an even more inequitable position is that many of firms are required to apply for full consumer credit permissions under FCA's landing slot timetable ahead of the implementation of the MCD. This leaves first charge firms in the unenviable and expensive position of applying for a full consumer credit permission to cover them for seconds, which they may only hold for a year, before their existing mortgage permission covers them for this activity from on 21 March 2016. We continue to ask for more flexibility for first and second charge intermediary firms in the authorisation process.

<u>A more appropriate solution than firms paying double authorisation costs</u>

Firms involved in the second charge mortgage market, whether MCOB first mortgage firms or OFT Consumer Credit firms, or those covering both facets, have been aware of these changes since 2011. Many of these firms have been preparing for the likely outcome that second charge mortgages would be regulated under the mortgage regime. However, they cannot control the authorisation process being applied by FCA, even though FCA has been equally aware of these impending changes.

A better position would have been to accept that firms offering second charge mortgages, but not undertaking other consumer credit activities, should not need to apply for a full consumer credit permission. Instead they should remain in the FCA's interim regime until 21 March 2016 when their existing mortgage permission would cover them for second charge activities. Firms have also suffered from FCA not fast-tracking mortgage network permissions, so reducing workloads from their Appointed Representative firms.

In addition to the questions asked by the FCA, AMI has a number of additional points it wishes to raise as part of this consultation, which we consider need addressing as part of the final policy statement and iteration of final rules.

<u>Remuneration</u>

FCA's proposed approach is to copy out the MCD's more detailed remuneration rules. If this approach is adopted the rules would state that

Article 7.4. Member States shall ensure that where creditors, credit intermediaries or appointed representatives provide advisory services the remuneration structure of the staff involved does not prejudice their ability to act in the consumer's best interest and in particular is not contingent on sales targets. In order to achieve that goal, Member States may in addition ban commissions paid by the creditor to the credit intermediary.

FCA (FSA) incentives guidance recognises that many smaller firm's incentive schemes can be solely income target contingent and such firms are already caught by its guidance.

If the MCD is copied out into MCOB, FCA must clarify the situation for all firms and confirm that the requirement are in line with the guidance provided in FG13/01.

In addition, current guidance accepts that sales targets can be part of a wider package of measures that can be reflected in reward. AMI would welcome the policy statement reinforcing that there will be no change from the current FCA policy and supervision position.

Professional indemnity insurance

The MCD sets professional indemnity insurance requirements at €460,000 for each individual claim, and €750,000 per year for all claims. We are concerned about the additional costs that this will levy on firms, in particular smaller firms. The inability of firms to self-insure or to use capital off-set could also cause problems for larger firms. We would appreciate further debate and guidance as part of the consultation process before final rules.

Information on the FCA register

Throughout the construction of the MCD the various committees Economic and Monetary Affairs (ECON), the Internal Market and Consumer Protection (IMCO), the Commission, Parliament and the Council used the terms Credit Intermediaries and Appointed Representatives to mean either the individual or the firm and in some cases both. We would welcome clarity from FCA that all references and requirements will relate to the firm and not individuals.

Intermediary service disclosure

Firms will be required to provide much of the same information as was produced under the IDD. Most firms will have little difficulty in producing this information. FCA should provide additional guidance as to how firms can provide the information on commission. Will this need to be in a durable medium or can a digital solution be provided, such as a weblink to a web page that explains the commissions?

Response to Questions

Q1: Do you agree with our proposed approach to implementing the transitional arrangements by requiring ‘top-up’ disclosure?

We welcome the practical and proportionate approach that has been adopted by FCA on this issue. Mortgage brokers will not be accountable for the manufacture of the ESIS or the KFI plus ‘top up’ but we believe that it is important that all brokers understand the options open to lenders so that they can explain different approaches that different lenders may adopt to their clients.

We do not believe that consumer outcomes will be any different whether they receive an ESIS or a KFI plus ‘top up’.

There could potentially be some consumer confusion when a consumer is comparing an ESIS issued by one lender against a KFI plus issued by another. However, such instances should be limited and the potential for consumer detriment will be mitigated by the mandatory advice process required under MMR. Any consumer using a good mortgage broker will be able to navigate through any potential confusion.

The lack of a transitional arrangement for pipeline cases leaves little time for both first and second charge mortgage firms to be ready to implement the ESIS. Some lender firms may have difficulty in meeting the requirements by 21 March 2016. We are particularly concerned if the solution is merely to allow firms to migrate early that the time available will be insufficient for such an option to be delivered.

Q2: What, if any, might be the alternative approaches that would allow us to meet our legal obligations when implementing the transitional?

We have considered the obligations set out in the MCD. We see little room for an alternative option that would meet the legal obligations as set out in the MCD.

In many respects we are surprised that FCA only requires a maximum of three additional pieces of information to ‘top up’ the KFI. Our own analysis identified more gaps between the ESIS and KFI than simply information on the new seven day reflection period, foreign currency loans, and potential rate changes.

We welcome this pragmatic approach.

Q3: What difficulties, if any, can you see with using the ESIS instructions and template (see MCOB 5A Annex 1R and 2R) to prepare pre-sale mortgage illustrations?

Lenders (or the sourcing company) producing the ESIS, will need to be sure that they accurately understand the key information about the broker to complete section 2. Furthermore, for a lender to complete section 4, and calculate the APRC, it will need to know details of any fees payable to the broker. Lenders and sourcing systems will need to build in sufficient provisions to obtain and include this information in the ESIS. This can only add to the burden of their work.

We anticipate that “advisers” will use a version of the ESIS or KFI plus to talk through details with the customer and do not anticipate problems with this. The lender will eventually issue a final offer referring to an existing or new document that makes the detail clear. It might be helpful to make clear that any documents issued prior to the final offer will be illustrative only and it will be dependent on the lender to define the final position.

Q4: Do you have views on whether the ESIS instructions should be drafted in standard Handbook format?

Copy out where possible should be the preferred option. However, it might be helpful for guidance to be added that where the broker has provided advice this must be specified within the binding final offer KFI plus or ESIS as an advised sale. Lenders should not show this as “Execution Only” from their perspective.

Q5: Do you agree with the proposed approach to implementing the MCD requirement for a binding offer?

The requirement to issue a binding offer should impact on the majority of the current practices that exist in the sales process. The main change will be that the lender must issue a formal binding offer or confirm the existing conditional offer. We do not see a fundamental issue with lenders issuing binding offers. However, there must be some allowance for circumstance where the offer could be withdrawn, such as the identification of fraudulent activity.

The impact on self-build could be much greater. If lenders apply the approach of making one binding offer for the full amount this could lead to lenders being committed to lending sums that they would not have otherwise wanted to lend as any withdrawal from the full amount would amount to a conditional offer. Such a process could negate the very reason for offering such mortgages on a staggered basis.

As such we believe that lenders wishing to offer such mortgages could only go down the more costly and time consuming process of issuing multiple binding offers. This could impact on the number of lenders offering these products. Given the Government’s position of support for this type of product such an outcome would be worrying and could lead to the need for a Government backed products or scheme to circumvent the impact of the MCD.

AMI would welcome confirmation in the policy statement that the Law Society have accepted that exchange of contracts can be effected prior to the issue of a binding offer, which given the current proposed sales process flow, could only be issued just prior to completion.

Q6: Do you agree that the MCD consideration period is better enacted as a pre-sale reflection period, rather than a post-sale cooling-off period?

We do not consider that either a pre-sale reflection period or a post-sale cooling-off period will provide any additional consumer protection or reduce consumer detriment. However, the MCD requires that one of these options must be chosen. Our view is that, of the two options, the pre-sale reflection period is a more appropriate fit for the UK mortgage market. It is also essential that those consumers who wish to proceed ahead of the conclusion of the 7 day reflection period are able to opt-out and proceed with the completion of their mortgage with as little impact as possible. We believe that most consumers will want to take this option as they will see little benefit to them in having a 7 day reflection period at this stage of the transaction.

Q7: Would it simplify matters, for example in terms of the compliance obligations for firms, to apply the MCD approach to the APRC calculation to all lending rather than just that covered by the directive?

No comment.

Q8: Do you agree with our proposed approach to specifying a benchmark that firms may need to use when calculating a second APRC?

The reference rate provides little consumer benefit and does not figure in the assessment of the consumers borrowing. The figure seems likely to only lead to consumer confusion. However, as the APRC is a maximum harmonisation provision there is little option but to apply this provision. We consider the proposed reference rate to be the most credible method of calculating this figure.

AMI feels that in many cases advisers will have to explain up to 5 different rates to consumers – the actual rate being marketed, a revert to rate, the APRC, possibly a second APRC and a stress rate. This will only add to consumer confusion and the need for advice to meet the adequate explanation provisions.

Q9: Do you agree with our proposed approach to transposing the MCD requirements on financial promotions and the wider simplification of our rules in this area?

It would be rare to see a mortgage intermediary's advertisement mentioning product. Accordingly, the changes in the MCD are more likely to impact on lenders.

We welcome the review of FCA's existing financial promotion rules as this was not undertaken as part of MMR and some aspects of it would benefit from reform. However, the principle that they are clear, fair and not misleading remains essential.

We agree that risk warnings are important tools but they are unlikely to be most effectively utilised when part of a generic advertisement. The review and simplification of the systems and controls relevant to financial promotions is also appreciated.

Q10: What challenges do you see in providing consumers with an adequate explanation, for example in an execution-only sale?

For an advised sale we see little issue with the intermediary providing an adequate explanation based upon the disclosures made by the lender, the essential features of the product and any ancillary products recommended and the impact on the consumer. In most intermediated sales this will be happening anyway. However the broker is always limited by the amount of information that the lender has provided to them or placed in the public domain.

For execution-only sales, the necessity to provide an adequate explanation should be limited as the consumer taking out the product should have an appropriate understanding before undertaking this route. If those firms operating an execution-only model find that a more extensive process is required to provide an adequate explanation to the consumer, it may be questionable whether their model is reaching the right target market and whether an execution-only sale is in the best interest of those customers. As part of Guidance, firms should have to report cases where consumers ask for clarification or information during the execution only route.

As stated above we remain concerned that in many cases advisers will have to explain up to 5 different rates to consumers – the actual rate charged, a revert to rate, APRC, second APRC and a stress rate. This will only add to confusion and the need for advice to meet the adequate explanation provisions. AMI considers that these provisions make the ability of firms to undertake execution only business more difficult.

Q11: What do you consider will be the impact of the new MCD rules on the availability of foreign currency mortgages?

The foreign currency requirements if applied too onerously may lead to some lenders choosing to exit this market. Many foreign currency mortgages in the UK will be for high net worth clients. Where this is the case FCA should consider how exemptions can be applied to these clients.

The new disclosure obligations on the potential impact of exchange rate fluctuation, and subsequently if there is adverse exchange rate movement could be an issue for firms.

However the extra steps to protect consumers from exchange rate risk, such as the right to convert the loan into an alternative currency or to otherwise limit the consumer's exposure to such risks may not be appropriate in many cases. The FCA should give firms flexibility, where it can, to allow such requirements to be applied only to consumers who need such protection.

These added complexities could see some lenders limit their activity in this sector.

Q12: What do you think will be the impact of this approach on firms and consumers?

Per Q11

Q13: What, if any, might be alternative approaches that would allow us to meet our legal obligations when implementing the Directive for this type of lending?

No comment

Q14: Do you consider that the proposed transitional approach is effective in allowing firms to prepare early for the implementation of the MCD?

The potential ability to adopt any aspects of the MCD early will mainly be set by the lender community. Our main concern is that, as with MMR, lenders seem unwilling to apply regulatory change early. The main reason for this appears to be concern over whether such an early adoption creates a competitive disadvantage or whether it in fact causes a drop in activity compared with competitors who have not yet adopted changes. Where lenders did implement MMR early they did not highlight this to the rest of industry. In fact most of those lenders that did go early actively worked to disguise the fact to as near as possible to the MMR implementation date.

Our concern is that there has to be a clear identifiable benefit for lenders to adopt the MCD provisions early. If there is no clear advantage then firms will delay.

Second charge firms will not be able to use this option as the turning on of the MCD rules does not coincide with the transfer of second charge mortgages from consumer credit to the mortgage permission. This means that second change will have a straight cutover to MCOB which seems irrational given that this sector is, and has been, experiencing far greater regulatory change than the that experienced by the first charge market. We would ask FCA to look at this issue and we would welcome any further accommodation of a transitional pipeline arrangement for the second charge sector. In asking for this we accept that FCA's position is constrained by the provisions set in the MCD and HM Treasury's transposition of the MCD.

Q15: Do you have any comments on the draft rules in relation to implementation of the MCD set out in the draft Mortgage Credit Directive Instrument 2014 at Appendix 1? Do you agree that the rules reflect the stated policy intention?

It appears from the analysis we have done that this is appropriate, however there will be issues that arise with the benefit of hindsight that will require further clarification. We remain concerned about the gap between FCA policy intent and supervisory sentiment.

Q16: Are there any particular elements that you think should be implemented on a different timetable to MCD requirements? If so, which elements, and why, and to what timetable?

We believe that a sensible transitional period should exist to avoid detriment to consumers there they are trying to transact over the transfer period. Without flexibility we could see a situation where advisory firms will stock-pile application for up to eight weeks to avoid work duplication. This could have major impacts on the UK property market.

Q17: Do you agree with our proposals for sales disclosure for second charge mortgages?

The MCOB sales disclosure requirements should apply to both first and second charge mortgages.

Q18: Do you agree with our proposals for post-sales disclosure for second charge mortgages?

The MCOB post-sales disclosure requirements should apply to both first and second charge mortgages.

Q19: Do you agree with our proposal to extend our mortgage advice and selling standards to second charge mortgages?

The same MCOB mortgage advice sales standards should apply to both first and second charge mortgages.

Q20: Do you agree that all borrowers looking to increase their borrowing should be made aware that a second charge or unsecured loan may be more appropriate, during initial disclosure at the start of the sale?

We see no issues in the requirement to make consumers aware that alternative financial options may be available. In some circumstances consumers will have already engaged in investigating alternative finance options prior to speaking to a broker. Accordingly, we consider that borrowers should be made aware of the options available, not that they may be more appropriate, as that may not be the case.

Q21: Do you agree that we should apply MCD creditworthiness assessment requirements to second charge mortgages through our MCOB affordability rules?

The MCOB affordability rules should be the same for first and second charge mortgages. If a further advance is caught by the current MCOB rules we do not see how a second charge loan should be considered to be any different.

Q22: Do you agree that we should apply the MCOB interest rate stress test to second charge mortgages?

Second charge mortgages will not be able to benefit from the five year fixed rate exemption as most lenders do not sell mortgages with fixed rate periods beyond five years. By the time the consumer comes to taking out a second charge loan the vast majority of consumers would already be well into their first charge mortgage fixed rate period.

For second charge mortgages five year fixed rate products are very rare in the market. Most consumers redeem their secured borrowing after four years.

However, without a stress test requirement being in place there would be the ability to borrow the first mortgage stressed amount via a second charge loan after the first mortgage had completed. We do not consider that FCA should permit such a scenario therefore, we accept that the MCOB interest rate stress test must apply to all secured borrowing.

Q23: Do you agree with the proposed approach to stress testing higher priority loans against expected interest rate increases?

Whilst we consider the requirements onerous, we are unable to establish a more appropriate approach.

Q24: Do you agree that we should apply the MCOB debt consolidation requirement to all second charge debt consolidation mortgages?

Our position is that the MCOB debt consolidation rules should be the same for both first and second charge mortgage firms.

It is standard practice that most second charge lenders pay cheques to creditors in debt consolidation cases. We believe that FCA should wait to understand the full impact of the affordability and stress testing requirements before expanding the current debt consolidation rule out all second charge debt consolidation cases.

Q25: Do you agree that we should apply the MCOB interest-only rules to second charge mortgages?

The MCOB interest-only requirements should apply to both first and second charge mortgages.

Q26: Do you agree with our proposed approach to contract variations for second charge mortgages?

The MCOB contract variation requirements should apply to both first and second charge mortgages.

Q27: Do you agree with our proposal to prohibit the automatic rolling-up of fees and charges into a second charge loan?

The prohibition of automatic roll-up of fees should apply to both first and second charge mortgages.

Q28: Do you have any comments on how our proposed approach to implementing the MCD requirements on ERCs will affect the second charge market?

The MCD introduces a right for full or partial early repayment. FCA's interpretation of the MCD early repayment requirements appears to be a liberal interpretation of the text.

In allowing the retention of the current MCOB rules on ERCs this outcome could potentially leave open the potential for challenge at a European level.

The introduction of ERC's for the second charge market could lead to these charges increasing. However, ERCs also opens the potential further product development which was constrained under the strict consumer credit requirements.

Q29: Do you agree with our proposal to apply MCOB 12.5 to second charge firms?

The MCOB excessive charges rules should be applied to both first and seconds charge mortgages.

Q31: Do you agree with our proposal to require interest to be charged on default fees only on a simple basis for second charge mortgages?

Yes

Q32: Do you agree with our approach to protecting second charge mortgage customers in payment difficulties?

Yes.

Q33: Do you agree with our proposal to apply the general conduct of business standards set out in MCOB to second charge mortgages?

The general conduct MCOB standards should be applied across both first and second charge loans.

Q34: Do you agree with our proposed approach to shared equity loans?

We support the tailored approach proposed by FCA.

Q35: Do you agree with our proposed approach to second charge business loans?

Yes

Q36: Do you agree with our proposed approach to second charge bridging loans?

The same rules should apply.

Q37: Do you agree with our proposed approach to high net worth individuals taking a second charge mortgage?

Second charge mortgages should benefit from the same HNW exemptions as first charge mortgages.

Q38: Do you agree with our proposal to defer consideration of whether prudential requirements should apply to second charge firms?

The first charge mortgage market benefited from a stepped approach to increased regulation since M-Day. The second charge market has had significant change over a much shorter period of time.

We believe that an appropriate approach would be to wait and see how the second charge market changes and develops post implementation. If it is then considered appropriate to apply the prudential requirements in the same way as for the first charge market then that should be subject to consultation.

Q39: Do you agree with our proposed timetable for deferral?

We support the proposal to wait until after the March 2017 before considering this issue further.

Q40: Do you agree with our proposed approach to training and competency?

The current syllabus needs up dating for both firsts and seconds. FCA committed to revisit the current qualifications in the early stages of MMR. Any update must now incorporate the addition of second charge mortgages to the mortgage regime.

The market that second charge firms will move into after 21 March 2016 will be more applicable to the qualification that the market they are currently in. However, they are still being asked to undertake a qualification that was never designed for them.

Whilst we accept that there is unlikely to be full revision of the syllabus ahead of 21 March 2016, we believe that when the qualification is revised it must be more relevant to the market the advisers, arrangers and execution only script writers are operating.

As such we would welcome some tangible evidence of progress to see through the FCA's earlier commitment in the MMR to revisit the mortgage syllabus. AMI will fully support any working party to review the syllabus requirements for the new mortgage world.

Q41: Do you agree with our proposal to include second charge advising and arranging activities into the scope of FSCS?

Yes it should be the same as the first charge market.

Q42: Do you have any comments on the draft rules in relation to second charge mortgages set out in the draft Mortgage Credit Directive Instrument 2014 at Appendix 1? Do you agree that the rules reflect the stated policy intention?

We confirm that we agree with the policy intention and its execution.

Q43: Do you agree with our proposed collection of transaction-level data on second charge mortgages?

No comment

Q44: Do you have any comments on the individual data items we intend to collect on sales and performance of second charge mortgages?

No comment

Q45: Do you have any comments on our proposed adjustment to reporting frequencies for second charge performance data where firms are submitting data manually?

No comment

Q46: Do you agree with our proposed treatment of second charge lending through MLAR?

No comment

Q47: Do you agree with our proposed treatment of second charge mediation through RMAR?

Where appropriate the RMAR requirements should be the same as for the first charge market. Sections C and D should be excluded if the prudential requirements are not applied to those undertaking second charge activity but not firsts. In particular second charge intermediaries should be subject to the same reporting frequency as first to ensure data consistency.

Q48: Do you agree with our proposed implementation timetable for second charge firms' regulatory reporting?

Overall we are of the view that it would be better to implement these changes at the same time as other rule changes to limit the doubling up of costs.

Q49: Do you have any alternatives to minimise any cost burdens on firms, while ensuring that the FCA can meet its statutory objectives?

No comment.

Q50: Do you have any comments on the draft rules set out in Appendix 1? Do you think the rules reflect the stated policy intention?

No comment

Q51: Do you agree with our proposed rules requiring firms to make customers aware of alternative finance options where they are looking to increase their secured borrowing?

As the rule already exists for further advances it seems entirely logical that it also be applied to second charge mortgages once they come within the scope of the mortgage regime. To also require that consumers are made aware of the alternative of an unsecured loan seems less logical but if it will allow consumers who aren't aware of these products to consider their options if they wish to, then we see little reason not to make them aware. It is important to remember that within this requirement consumers would have already had some level of interaction to reach this point. For example a consumer may want to consider a second charge loan if a further advance is not available from their lender.

We would question whether a same requirement should fall on unsecured loan brokers to ensure that consumers are not suffering detriment by not being made aware of alternative, and often cheaper, secured borrowing options when looking to raise capital.

For simplicity however we consider it best to restrict the disclosure to the fact that remortgage, further advance and second charges might be available, but the adviser should be able to restrict the scope of their service.

Q52: Do you agree that these proposed rules should form part of the initial disclosure, applicable to both advised and execution only sales?

Yes.

Q53: Do you agree with our proposal to transpose the CONC 7 provisions for vulnerable customers into MCOB 13?

Yes.

Q54: Do you agree with the scope of our proposed information sharing requirements?

Yes

Q55: Do you agree that our proposed information sharing requirements should apply to all firms with a regulated mortgage secured against the property?

Yes.

Q56: Do you agree with the amendments made to PERG?

Yes - but it is difficult to be specific as we are yet to see the final provisions from Treasury and await further work on Buy-to-Let.

Q57: Are there any business models which need further consideration under PERG as we propose to amend it?

Not at this stage – it is difficult to be specific as we are yet to see the final provisions from Treasury and await further work on Buy-to-Let.

Q58; Do you agree with the cost and benefits identified?

As we have limited choice on implementation, we have not taken significant time to consider this.