Association of Mortgage Intermediaries

Association of Mortgage Intermediaries' Response to FCA's Consultation Paper – CP14/26 Regulatory fees and levies: policy proposals for 2015/16

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.

Introduction

We are disappointed that the FCA has decided not to consult on the structure of the consumer credit fee block. AMI has regularly explained to the FCA that many mortgage brokers who have a consumer credit permission derive only a minimal income from consumer credit activities. As such, we believe that the current structure is not in line with the FCA's statutory principle that "a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction" (FSMA 2000 c. 8 s. 2(3)(c)).

Historically many firms held the OFT consumer credit licenses across a range of categories as they were simple and cheap to obtain, lasted for life and only recently had they been subject to a fee every five years. In the world of mortgages, firms held these to meet their legal requirements and they had not worried about the technicalities as the FCA principles and MCOB rules governed their activity. The current regime brings steeply different cost for activity that is very marginally captured.

This leaves brokers in the invidious position of having to pay the consumer credit annual minimum fee, which is distinct from the minimum fee on their other permissions, for an activity they make virtually no income from. We cannot think of any other part of FCA's fees and levies regime where such a policy is put in place. If a firm has permission to advise on general insurance and mortgages, it will only pay one minimum fee. We continue to believe that the FCA should amend the framework so that if a firm has no eligible income then there is no fee, and accordingly firms' mortgage minimum fee would cover their consumer credit permission.

Responses to Questions

Q7: Do you agree with our proposals for how the pensions guidance levy should be raised? If you do not agree, please give your reasons.

We agree that the mortgage industry should not be responsible for paying this levy. We would have strong objections to fee block A18 being included in the proposals. We don't see any reason why they would have to pay the levy because they would not be involved in the pensions guidance process. The FCA's near-final standards state that a designated guidance provider will give consumers information about their retirement options, which for some would mean a referral for advice. We would not expect this to include a home finance transaction specifically.

Q8: Do you agree with our proposed adjustments to the rules affecting fee-block A2 (home finance providers and administrators)?

We agree.

Q12: Do you agree that we should extend to consumer credit firms with limited permission the discount applicable to straightforward and moderate categories when firms apply for simple changes in legal status?

We agree.

Q13: Do you agree that applicants for the new Mortgage Credit Directive permission of 'Advising on regulated credit agreements the purpose of which is to acquire land' should be charged a straightforward consumer credit application fee?

We agree that a straightforward consumer credit application fee should be charged. However, this is another example of how firms might feel the need to hold a consumer credit permission for a very occasional event, therefore they should only pay the consumer credit annual fee if they have eligible income.

Q14: Do you agree that we should add the two consumer credit fee-blocks to the list of relevant fee-blocks covered by our financial penalty scheme?

We agree.

Q15: Do you agree that we should introduce a variable Money Advice Service levy for firms with limited consumer credit permissions in fee-block CC1?

We agree that the levy for firms in fee block CC2 should be mirrored to CC1 to ensure large firms pay a fair contribution towards cost recovery, in line with the FCA's principle of proportionality.

Q17: Do you agree with our clarification of the definition of income for intermediaries and consumer credit firms?

We welcome the FCA's clarification of the definition of income and we agree with the proposed amendments.