Association of Mortgage Intermediaries' response to FCA CP16/24
Review of the FCA's appropriate qualification exam standards

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 and regulated 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.

Questions

Q1. Do you agree with the proposed updates to the Appropriate Exam Standards (AES) in Appendix 3? If not, why not?

We agree.

Q2. Do you agree with our proposal to reduce the number of AES for 'regulation and ethics' from three to two and base this on the level of attainment being studied?

We agree.

Q3. Is the proposed Handbook guidance in Appendix 2 helpful in understanding how to interpret the appropriate qualification tables in TC Appendix 4.1?

No comment.

Q4. Do you consider there is a market need for an alternative to the current appropriate qualification approach or equity release, either as
- **(a) a top-up to existing pensions or investments appropriate qualifications, or**
- **(b) as a standalone appropriate qualification in equity release?**

We strongly disagree with both of these proposals and we are surprised that such a drastic, and illogical, change has been introduced late during the consultation process. The origin of these proposals is also concerning.

What is core under both the current and expansion of the senior managers and certification regime is that it is the firm and its principals that hold the permission to trade and are regulated. The individual adviser is just part of the firm, judged by the firm to be fit and proper. This should lead us to be clear that it is up to the leaders of firms which types of business they want to transact and ensure their people are properly qualified. Calls from individual advisers who want to expand their business by having an 'easy route' to a particular product should be viewed with extreme caution.

Cherry picking equity release without full consideration of other options which might be available sits with the firm, not with individual advisers, no matter how skilful. We would seriously question the motive behind an adviser who wants to be able to advise on equity release but doesn't want to consider other mortgages or to become qualified to do so. It is even more concerning if there is a desire to do this only on an occasional basis.

Holistic advice already has its difficulties because of how segmentation of the FCA rulebook has driven the different types of advisers we have today. The industry needs to work on how consumers can be effectively signposted to the appropriate specialists in order to receive the best advice. This requires all advisers to be able to consider wider implications of financial advice by having a basic knowledge of other areas. These proposals would shift the advice landscape backwards.

While stripping out equity release into a separate qualification may benefit professional bodies it will only lead to narrow disclosures and ultimately customers will end up with the wrong products. These proposals are diametrically opposed to the regulator's work on the ageing population to give older customers access and to encourage product innovation. The industry is seeing a shift from a pure 'equity release' product as there continues to be development of hybrid products which allow servicing and later interest roll-up. Mortgage products have also been evolving for older customers, such as the removal of upper age limits, which adds to the fluidity between 'standard' and lifetime mortgages. There is therefore still a need to link advice on mortgages with equity release. This means firms need a wider knowledge, advice and permission than offered by this proposed add on or standalone allowance.

Consumers deserve proper advice on pensions and investments from specialists, and to engage with fully qualified mortgage and equity release specialists. This is important to ensure that customers are getting the most appropriate products for their needs and circumstances.

Q5. Would either approach lead to a significant increase in the number of individuals appropriately qualified in respect of equity release? Why?

The number of individuals who currently hold the equity release qualification is around 8,000, therefore there is not an issue around competence. Firms active in the sector do not suffer from a lack of capacity or recruitment issues.

Advisers across all financial sectors need to be able to identify consumer needs in order to know when to refer a customer for specialist advice. Proper consumer engagement and better signposting between firms is therefore the key to ensuring consumers have access to suitable products, whereas diluting qualifications will lead to the opposite.