



Association of Mortgage Intermediaries' response to FCA discussion paper DP15/7 on its approach to SMEs as users of financial services

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. Approximately 70% of all UK mortgage transactions are advised by intermediaries.

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.

Response

As the trade body representing advisers in the consumer mortgage market we are responding in relation to their interests as providers of advice, not as trading entities who might wish to bring claims against other firms. We do not consider this to be within our scope.

Questions

Q1: Are there specific products, services or distribution channels that are particularly associated with poor outcomes for SMEs?

No comment.

Q2: How and where should we draw the line between SMEs that should benefit from the consumer safeguards in our Handbook and those that should not? Should we aim to treat all SMEs in the same way where possible?

We consider that the current micro-enterprise definition to be appropriate.

Q3: Is the current treatment of SMEs in our rules broadly correct? What do you see as the most important benefits and shortcomings of our current approach?

Yes. These keep a clear distinction between firms who are likely to suffer information asymmetry and those who should be able to exercise reasonable commercial care or employ appropriate professional assistance.

Q4: Should we expand the eligibility criteria of the ombudsman service? How and where should the line be drawn?

No. The current micro-enterprise definition already covers most relevant firms.

Q5: Should the ombudsman service's award limit be increased from its current value of £150,000 for some or all SME complainants? Would it be fair for different award limits to apply to eligible complainants depending on whether the complainant is a business or an individual consumer?

No. The ombudsman was set up with a £100,000 limit, raised to £150,000 in 2012, to cater for cases that could be dealt with speedily and by using dispute resolution techniques to gain agreement. It was always considered that higher value disputes of those with complex arguments should still be the subject of legal remedy. We therefore object to any increase in the current limit as we consider this level to still be appropriate.

We also do not believe it is fair for different award limits to apply to different complainants; it adds too much complexity to what should be a simple resolution.

We consider that expanding the scope is likely to require additional resource and expertise which is inconsistent with the service currently provided and risks diluting the quality of work completed. This would also risk increasing the costs to all participants which we would not support.

Q6: Should we make our rules more consistent, to the extent possible, across the products and services used by SMEs?

We consider this to already be adequate.

Q7: Should we encourage the development of voluntary codes of practice in the manner discussed in Chapter 6 of this Discussion Paper?

No comment.

Q8: Should we issue guidance to firms on particular aspects of their dealings with SME clients, and, if so, which aspects?

No comment.