



Association of Mortgage Intermediaries response to FOS's plans and budget for 2014/15

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.

We would like to thank the Financial Ombudsman Service (FOS) for the opportunity to respond to this consultation paper.

FOS's overall aims 2014/15

The changes made to FOS's funding structure last year recognised that those firms that use FOS the most should make an appropriate contribution towards its costs.

The large banking groups remain FOS's main users and, as such, FOS's priorities should be focused on the complaints that are generated by these firms.

Clearly FOS does not currently consider all cases in the same way, nor should it. The levels of work and methods required to assess cases across all of the areas FOS covers will vary depending on to the complexity of the product, services and transactions. This can clearly be seen by reading the published ombudsman decisions.

If FOS can improve the methods its uses to assess cases, whilst still remaining fair and impartial in its decision making, then we would support such innovation. Where FOS is considering new models of case work it should be focused on those areas where FOS is receiving multiple reoccurring complaints on the same issue from the same firms.

FOS has often cited the continuing economic environment as a contributing factor to the level of complaints it receives. However, as future PPI volumes are expected to fall we believe that FOS should to give further consideration to the impact that

Complaint Management Companies (CMCs) have on the level of complaints it receives.

We are concerned that the 'free' service that FOS offers to consumers is still being used by CMCs to profit from the consumers that choose to use them. CMCs using FOS in this way is an unintended consequence of the legislation in FSMA 2000, and its interpretation by regulators and FOS. Although the Ministry of Justice's regulation of CMCs has resulted in some improvements in the way CMC operate, we remain concerned that there are still some CMCs who routinely submit complaints to FOS without prior scrutiny and/or cases that could legitimately be considered as frivolous and vexatious, or at worst fraudulent.

Large banking groups continue to top the list of FOS's published complaints data. We continue to be concerned that FOS is being used as an outsourced complaint handling service by these larger firms, which through the general levy leads to higher costs being incurred by the all firms.

We continue to be supportive of National Audit Office review of FOS. It is essential that such reviews take place on a regular basis to ensure that FOS offers value for money.

FOS's case volumes 2014/15

Our views on mortgage broker complaints do not differ substantially from the assumption made by FOS, nor would we want to challenge the broad sector based figures provided in FOS's report.

In addition to the comments made about consumer credit case numbers FOS should consider what impact the FCA's capture of consumer credit will have on its complaint handling capacity. Whilst consumer credit complaints have been eligible at FOS since the inception of the consumer credit jurisdiction, it will be from 1st April 2014 that consumer credit firms will be subject to the SYSC and DISP aspects of FCA's handbook. These added requirements could have a significant impact on the total number of consumer credit cases that end up at FOS.

FOS's PPI cases volumes 2014/15

Mortgage brokers have had some exposure to the PPI market and subsequent complaint issues. However, this exposure has been almost solely through the sale of regular premium policies.

In the context of the high volumes of PPI cases FOS receives, mortgage brokers only contribute very small number of cases. Given that FOS's figures are dominated by the PPI complaints deriving from the large banking groups, any view on the expected number of cases from mortgage intermediaries is likely to have a negligible impact on the overall figure that FOS has budgeted.

Overall we are in general agreement with FOS's estimates. Therefore, we have not commented further on the figures provided for the number of PPI cases expected for 2014/15.

The PPI supplementary case fee was only intended to be a temporary measure. We support FOS's decision to remove additional charge as the figures in FOS's report show that PPI case volumes will reduce. We would expect that any surplus built up to date will be used to help fund the remaining requirements of the PPI complaints programme.

FOS's fees and levies proposals 2014/15

Overall we welcome the decision to freeze standards case fees and levies. FOS's expectations of new and resolved cases (excluding PPI) are broadly consistent. We remain supportive of the changes made in 2013 to not only provide up to 25 free cases to smaller firms but also to ensure that largest users of FOS pay a more appropriate amount for using the service in the way they do.

AMI

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