Association of Mortgage Intermediaries' Response to FSA's Consultation Paper - FSCS Funding Model Review – Feedback on CP12/16 and further consultation

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 Services Authority (FSA) 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 FSA's further consultation paper. This response paper is only limited to the proposed revised FCA retail pool design features in chapter 3.

Consultation on the funding model for the revised FCA retail pool design

Overall we support the changes made to the structure of the FCA retail pool design from that which was originally proposed. We believe that it is essential that there is a link between product providers and intermediaries. The changes made in this revision go some way to restoring this link.

We are, however, still concerned that the principles behind the amendments, whilst now capturing some product provider funds in the FCA retail pool, ignores the interrelationship between product manufacturing and distribution.

We still believe that the current approach does not sufficiently acknowledge the responsibilities that product providers should have for the products they make and for how they choose to distribute them.

The reasoning given for making changes to the funding model are that all firms will benefit from the enhanced confidence given to consumers by the protections offered by the FSCS. Whilst we do not dismiss this notion, the changes do not acknowledge the responsibilities that product providers should have for the end results of poor design, manufacturing and marketing decisions.

In addition to this, FSA and FSCS have had nearly three years since the review of the funding model was announced to develop their proposals. Whilst we accept that there have been unexpected delays to this review and that uncertainties from Europe have hindered its development we are concerned about the lack of time given to consider these proposals.

Given the annual costs to industry that come from FSCS's funding requirement we find it concerning that industry has been presented with such a limited period to consider its impacts and consequences of this model on their firm, their sector(s) and the wider industry.

As such, in light of the restricted timeframe given for this additional consultation, our response can only be based on a limited assessment of the workings of the model proposed by FSA.

We can only assume that such a limited period of consultation increases the likelihood for the need to have a further review in the near future. Therefore, we call upon FSA to set a timeframe for reviewing the new FSCS funding model arrangement.

AMI
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