



Association of Mortgage Intermediaries' Response to Ministry of Justice's Review of Claims Management Regulation

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 mortgage transactions are advised by intermediaries.

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.

Response

We remain concerned that claims management companies (CMCs) continue to fuel speculative claims for compensation. Of the data access requests received in the last year by one large member firm, only 9% have progressed to a complaint. The firm has yet to uphold a complaint originating from a CMC. Where these rejected complaints are escalated to the Financial Ombudsman (FOS), FOS has in all cases agreed with the firm. Another large member firm has had none of its data requests in the last year result in a complaint because there has been no evidence that the firm actually advised on the product researched.

Our members pay £550 for every complaint that is escalated to FOS after the first 25 in a year, regardless of the outcome. We are supportive of FOS as an important safety net for consumers when things go wrong and we agree that firms, not consumers, should pay for this service. However not only do CMC claims add waste into the redress system but they also drain resources from firms and there needs to be controls in place to mitigate this.

We believe that whatever regime CMCs are regulated under there needs to be more rigorous supervision. Despite the Claims Management Regulator's guidance, consumers registered with the Telephone Preference Service still receive cold-calls and texts. There is currently an absence of quality requirements for CMCs. High conduct standards, such as those which apply to regulated firms, along with their appropriate enforcement, should improve CMC practices which ultimately leads to better consumer outcomes. We also believe that in strengthening the regulatory regime there should be a more stringent process for CMCs to become authorised, as increased entry requirements will lead to better quality firms. We consider that it is only with robust supervision alongside stronger regulation that we will see an improvement in conduct from claims firms active in the financial services industry.