



## **Mortgage Market Review summary – Disclosure**

This factsheet sets out a summary of the key changes to the MCOB rulebook relating to disclosure requirements for mortgage intermediaries.

### **Description of a firm's services**

A firm must provide the customer with details of:

- Whether there are any limitations in the range of products it offers and what those limitations are
- How the firm will be remunerated.

### **Range of products**

- A firm must include any limitations to the mortgages it will consider from the relevant market
- A firm must describe its services in relation to each relevant market it covers
  - the two relevant markets for mortgages (apart from lifetime mortgages) are:
    - one for mortgages that are not for a business purpose; and
    - one for mortgages that are.

### **Limitations, Direct deals and exclusives**

- If a firm does not consider direct deals it does not need to treat that as a limitation but it must disclose to the customer that it does not consider direct deals
- A firm does not need to take account of exclusives deals when considering its limitations
- A firm cannot offer an unlimited service if it only offers products from one part of a relevant market (for example, just bridging loans)
- If a firm is not offering an unlimited range from across the relevant market it must either:
  - list the names of all the mortgage lenders whose products it offers
  - Inform the customer of the number of mortgage lenders whose products it is offering and that a list of those mortgage lenders can be requested.

### **Panels**

A firm can describe its product range as unlimited even if it uses a panel, however:

- It must ensure the panel is sufficiently broad in its composition to represent the market
- It would need to ensure the products are reviewed regularly and that the panel does not materially disadvantage any customer.

## Scope of service disclosure

When disclosing any limitations in a firm's product range and direct deals these should be expressed in clear and simple terms. The following sentences are examples of this:

- "We are not limited in the range of mortgages we will consider for you."
- "We offer a comprehensive range of mortgages from across the market, but not deals that you can only obtain by going direct to a lender."
- "We only offer mortgages from [number] lender(s). We can provide you with a list of these."
- "We only offer mortgages from [name of lender(s)]."
- "We only offer some, but not all, of the mortgages from [number] lender(s). We can provide you with a list of these."
- "We only offer some, but not all, of the mortgages from [name of lender(s)]."
- "We only sell bridging finance products from [name of lender(s)]. We do not offer products from across the mortgage market."

## Business name

- To call itself an "independent mortgage adviser" the firm's product range across the relevant market must be unlimited.

## Basis of remuneration

The information about the basis of remuneration must include all relevant information, including:

- any fees which the firm will charge to the customer
- when any such fees will be payable and, if applicable, reimbursable
- whether the firm will receive commission from a third party and, if applicable, any arrangements for offsetting this against any fees charged.

The details must be expressed, where possible, as a specific cash sum but the following applies where this is not possible:

- If the firm charges its fee as a percentage of another sum which is not yet known (such as, the amount to be borrowed), the firm must provide details of the percentage and a representative illustrative example which gives an amount as a cash sum.
- If the firm will charge one of a range of possible cash fees, the firm must provide a description of the fee in terms which include the maximum and minimum possible fees as cash sums, and what factors will determine where in the range the fee will be.
- If the firm will charge one of a range of fees as a percentage of another sum which is not yet known (such as, the amount to be borrowed), the firm must provide details of the minimum and maximum percentages and a representative illustrative example which gives an amount as a cash sum, and set out what factors will determine where in the range the fee will be.
- If the firm will charge an amount based on an hourly rate, but the number of hours to be spent on the transaction is unknown, the firm must state the hourly rate in cash terms and set out what factors will determine how many hours it takes to provide the firm's services.

## Rolling-up of fees or charges into loan

- A mortgage lender may not offer a mortgage to a customer on the basis that fees or charges of any kind are automatically added to the sum advanced.

- In all cases the customer must make a positive choice to add the fee or charge to the sum advance under the mortgage contract.

### **Method of providing initial disclosure**

- If the initial contact includes spoken interaction, the initial disclosure information must be communicated orally and built into the initial oral discussions with the customer.
- If the initial contact does not include spoken interaction, the messages must appear separately from other messages in the communication.
- A firm may demonstrate compliance by undertaking one or more of the following:
  - building a requirement for oral communication of the relevant information into its training of staff as evidenced by its training and compliance manuals;
  - inserting appropriate prompts into paper-based or automated sales systems;
  - having procedures in place to monitor compliance by staff with that rule.

### **Additional disclosure where initial contact is by telephone**

If the initial contact is by telephone, then the firm must also, before proceeding further, give the name of the firm and the commercial purpose of the call.

### **Pre-application disclosure**

Before a customer submits an application for a particular home finance transaction, they should be supplied with information that makes clear:

- The mortgages features
- Any linked deposits
- Any linked borrowing
- Any tied products
- The amounts that the customer will be required to pay under the contract.

### **Messages to be given when providing information on mortgage contracts**

- Whenever a firm provides a customer with information specific to the amount that the customer wants to borrow it must give, clearly and prominently, the following information:
  - Information on the firm's product range to match that in the initial disclosure
  - Confirmation that the customer has the right to request an illustration for any mortgage product the firm is able to offer the customer
- A firm need not give this information if it has previously given information in compliance with this rule within the last ten business days.

### **Message to be given when customer requests an execution-only sale**

- When a customer provides information on the product they want, the firm must inform the customer, clearly and prominently, that the customer has the right to request an illustration for any mortgage contract which the firm is able to offer the customer.
- When a high-net worth mortgage customer, or customer who would be entering into a mortgage solely for a business purpose, is provided with information specific to the amount they wants to borrow, the firm must inform the customer, clearly and prominently, that the customer has the right to request an illustration for any mortgage contract which the firm is able to offer the customer.
- This is not required if the information has been provided within the last ten business days.

## **Provision of illustrations –Timing**

- A firm must provide the customer with an illustration before the application is submitted to the lender, unless an illustration for that mortgage has already been provided
- In addition, a firm must provide the customer with an illustration when:
  - The advice is given to take out a particular mortgage. If the advice is given by telephone the firm must provide an illustration within 5 business days
  - The customer requests an illustration for a mortgage, unless the firm is aware that it is unable to offer that particular mortgage contract
  - As part of an execution-only sale the customer has provided the firm with the required information to indicate which mortgage or variation he wishes to enter into
  - As part of an execution-only sale, a high-net worth mortgage customer or a customer who is entering into the mortgage solely for a business purpose, has indicated their intention to submit an application for that mortgage contract.

## **Provision of illustrations – when an illustration it not required**

An intermediary firm need not provide an illustration:

- For a direct deal but it must give an accurate written record of the advice
- If the customer refuses to disclose key information or where the customer is not interested in pursuing the enquiry
- If the firm does not wish to do business with the customer.

## **Consideration of the illustration**

A firm must not undertake any action that commits the customer to an application (including accepting product-related fees) until they have had the opportunity to consider an illustration.

AMI  
23.04.13

---

### **About AMI and this Factsheet**

This factsheet has been designed to provide members with information on the Mortgage Market Review (MMR).

It is provided as a matter of record for reference purposes. It is not intended to be read as a replacement to understanding the MCOB rule book that takes effect from 26th April 2014.

Furthermore, it is important to remember that MMR amends existing MCOB rules. It is not a new set of rules in its own right. As such firms must also consider existing MCOB rules, which in some instances are unchanged.

The Association of Mortgage Intermediaries was created to be the trade association for professional mortgage intermediaries. It is our role to lobby the regulator to ensure light touch and proportionate regulation. As part of our remit we endeavour to bring insightful and plain English information to the market. This factsheet has been produced in this spirit.

Firms are advised to seek professional advice rather than rely on comments on this brief text. For more information on AMI, contact the address below.

Prepared on the basis of our understanding at April 2013.

This fact sheet does not constitute legal or other professional advice and should not be relied on as such. Specific advice should be sought about your individual circumstances.

**Association of Mortgage Intermediaries**  
314 Midsummer Boulevard, Milton Keynes, MK9 2UB  
Tel: 01908 847021 Email: [info@a-m-i.org.uk](mailto:info@a-m-i.org.uk)