Association of Mortgage Intermediaries' response to FCA CP18/10: FCA regulated fees and levies – rates proposals 2018/19

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 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

We are disappointed that there appears to be little regulatory appetite to control operating costs as increases to fees seems to be considered as a given. While the increase in last year's fees was aligned with inflation this has been a one-off in the last four years. We believe that the FCA should be tasked with reducing its annual budget. At worst its budget should be capped with any increases limited by the rate of consumer price inflation, rather than inflation-linked increases seen as a minimum. Having such a cap in place would not just provide greater certainty for regulated firms but it would also help the FCA to be more efficient by encouraging it to prioritise its resources to meet its budget, rather than setting its budget based on its needs.

Effective cost controls should be a driver to producing good outcomes in line with the FCA's core objectives. This would limit regulatory creep and ensure that the focus is clearly on the areas of greatest consumer or systemic risk. The FCA's approach differs greatly to the other members of the UK Regulators Network, who have committed to restricting their budget growth in real terms and/or reducing their expenditure. Organisations without clear cost controls are rarely cost-effective in the way they operate. The FCA expects such focus and clarity in the firms it regulates, and it should be no different. We consider that although their statutory duty is to the consumer, as it has to regulate with consensus, it must take into account a limitation on firms' abilities to pay an ever-increasing burden.

Furthermore, given the shift in timings over the years of the annual fees cycle, we question the sincerity behind the consultation process. Historically the consultations were issued earlier and with more time between the deadline to respond and the feedback statement. It is difficult to see how any changes to these proposals can be implemented, let alone considered, when invoices are issued to firms in July.

Questions

Q1. Do you have any comments on the proposed FCA 2018/19 minimum fees and variable periodic fee rates for authorised firms?

We fundamentally disagree with these proposals. The anticipated increase in the number of firms paying the minimum fee and the proposed 3% increase will result in a 6.6% increase in income. While we understand the new link between the increases in the minimum fee and operating costs, the justification behind increasing the fee level to increase the A.0 income further is not clear. This is contrary to calculation of the periodic fees, which are adjusted depending on the expected income.

It should be noted that small intermediary firms, particularly those in our sector, do not pay the "minimum fee" as both the consumer credit and consumer buy to let fees are unjustly charged as an addition, even though firms should not be required to hold these separate permissions for activities that are part of intermediation. We raised the unfairness of the approach on introduction of these fees. The impact of the proposed 3% increases to both the consumer credit minimum fee and consumer buy to let fee on small firms should not be disregarded, indeed we consider such continuous increases to be unfair.

Q2: Do you have any comments on the proposed FCA 2018/19 minimum fees and periodic fee rates for fee payers other than authorised firms?

As detailed above.

Q3: Do you have any comments on the proposed revised Financial Penalty Scheme?

No.

Q4. Do you have any comments on the proposed 2018/19 ring-fencing implementation fee?

No.

Q5: Do you agree with our proposed modifications to the scope, hourly rates and threshold for Special Project Fees? If not, why not?

No comment.

Q6: Do you have any comments on our proposal to adjust our definition of credit-related income to take account of consumer hire agreements?

No.

Q7: Do you have any comments on our clarifications of the definition of income for recognised investment exchanges (RIEs) and benchmark administrators?

No.

Q8: Do you have any comments on our proposal to remove surcharges on all payments by credit card?

No.

Q9: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee-block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

No.

Q10: Do you have any comments on the proposed FEES 7A rules for the SFGB money advice and debt advice levies and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB money advice and debt advice levies?

No.

Q11: Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for money advice?

No.

Q12: Do you have any comments on the proposed 2018/19 Money Advice Service levy rates for debt advice?

No.

Q13: Do you have any comments on the proposed 2018/19 pensions guidance levy (PGL) rates?

No.

Q14: Do you have any comments on the proposed 2018/19 pensions guidance providers' (PGPL) levy rates?

No.

Q15: Do you have any comments on the proposed FEES 7A rules for the SFGB pensions guidance levy and the proposed basis for recovering the 2018/19 SFGB funding requirement through the SFGB pensions guidance levy?

No.

Q16: Do you have any comments on the proposed 2018/19 illegal money lending (IML) levy rates?

No.