



*Association of Mortgage Intermediaries' response to FCA Mission:
Our Approach to Supervision*

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.

Whilst the FCA Mission papers are separated, our responses should be considered as a whole. This includes our responses to last year's Mission paper, the approaches to consumers, authorisations and competition, and the contemporaneous approach to enforcement. We have kept our responses succinct, focusing on what we disagree with in the individual papers.

Response

Q1. Has this document set out the FCA's approach to supervision clearly? Are there other issues relating to our approach to supervision that could benefit from further clarification?

Various changes in regulatory approaches have resulted in firms feeling disillusioned by a regulator who does not engage in person sufficiently with its firms, yet the level of its running costs continue to escalate. The move to a supervisory approach which categorises firms as fixed and flexible portfolio has left most firms without a point of contact at the regulator, thus needing to resort to the contact centre for inconsistent and unhelpful responses. This is compounded by the lack of published guidance or reluctance to speak to firms when there are regulatory changes. Instead a confusing communications programme has been developed, from firms having to pay to attend to speak to a supervisor to roundtables which appear to have no agenda or structure. We would like to remind the FCA that fee-payers are firms, as regulated entities, and not individual advisers, so would therefore expect events to take this into consideration. Once the Senior Managers & Certification Regime is extended this is even more important as those with Senior Management Functions hold individual responsibility. We also consider that if the regulator is to achieve the changes in culture within firms that it proposes, its supervisory approach needs to be more collegiate and supportive in dealing with queries.

Escalating claims from the Financial Services Compensation Scheme for mis-selling reflect a regulatory approach that is not working. We hope that advice being given on unregulated products will be afforded more regulatory focus, particularly given the collection of more market intelligence as a result of the funding review. As this is an area of significant consumer harm we would expect the FCA to dedicate sufficient supervisory resources to identifying mis-selling, misconduct and poor advice.

We have raised several concerns about certain firms' business models and the risks to consumers to either be told that the FCA can't take any action because it's outside of their scope (with which we would disagree) or market intelligence has been left unactioned. For example, we raised breaches to clear, fair and not misleading rules in respect of a particular firm a year ago yet the inappropriate disclosures on their website still exists.

We therefore do not agree with the FCA's view that "where we have concerns about a single firm, we will look at the root causes of issues. We will identify the senior manager responsible for the relevant business area and assess what steps they have taken to prevent, or reduce, the harm. We will expect an immediate change to the business model and will use our tools to ensure that change persists." We consider that there is an inappropriate focus on "innovative" firms and insufficient scrutiny of business models at authorisation which appears to supersede any risk of potential consumer harm that is identified as part of a firm's day-to-day activities. The need to have evidence ahead of using expertise and knowledge of what might work or not, is limiting good control. The recently published findings of the supervisory work carried out in automated investment advice services reconfirms the concerns and risks we have raised on business models in the mortgage advice sector. However it would appear that rather than taking the opportunity to more widely communicate expectations or apply these findings to other sectors, we will instead see a reactive and delayed approach to consumer harm.

Whilst we were pleased with the supervisory work carried out on debt consolidation and the follow up engagement with firms, the effectiveness of this work to encourage good practice is questionable as this was not distributed more widely. We welcome the focus on cyber security and would like to see more work done with firms and guidance in this area. We would also like to see better engagement with firms around the Insurance Distribution Directive, as signposting firms to 688 pages of policy statements and rules does not effectively communicate the changes that firms should be making.