



*Association of Mortgage Intermediaries' response to FCA CP18/11:
Reviewing the funding of the Financial Services Compensation Scheme (FSCS): feedback
from CP17/36, final rules and new proposals for 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 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 pleased with the amendments that have been made to the final rules, which we believe should deliver fairer outcomes for firms as they are reflective of the current regulatory environment.

Questions

Q1. Do you agree with our proposed approach to ensure that PIFs have PII policies that do not limit claims, where the policyholder or a third party is insolvent, or where a person other than the PIF (eg the FSCS) is entitled to make a claim on the policy?

We agree, as such limitations or exclusions render Personal Indemnity Insurance policies useless. In order to minimise reliance on FSCS we would like to see greater improvements in the wider PII market so that firms are not unnecessarily double-paying for their liabilities. Not all mortgage intermediary firms will be classed as PIFs, but with our members collectively paying £11.3m¹ a year in PII premiums we are concerned about value for money and the effectiveness of these policies. We agree that FSCS should remain the compensation scheme of **last** resort.

We would like to see this approach appropriately enforced. As it would be the firm's responsibility to ensure its policy does not limit claims, adequate oversight would be needed to mitigate any unscrupulous firms ignoring this requirement. Banning PII policies with such limitations would further ensure that insurers pay out more claims.

¹ [FCA Data Bulletin Issue 13 June 2018](#) – the retail intermediary sector