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*Association of Mortgage Intermediaries' response to FCA CP18/19  
Introducing the Directory*

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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 that the FCA has considered and acted on feedback from industry and we welcome the proposals to maintain a list of Appointed Representatives and create a list of mortgage advisers following the implementation of the Senior Managers & Certification Regime (SMCR) to remaining firms. AMI supported the proposals in CP10/02 as part of the Mortgage Market Review to add mortgage advisers to the Financial Services Register under a new CF31 customer function and we continue to advocate such transparency.

The Work and Pensions Select Committee recommendations for the FCA to improve its register were specifically in respect of consumer protection, i.e. a "non-specialist" being able to understand and use a resource to check whether a financial services firm or individual has had their permissions restricted or suspended. We agree with the Committee that the FCA should "redesign the register" to make these improvements.

However we have several concerns regarding the transparency of these proposals and the apparent lack of consideration of options and provision of supporting information. Although the paper mentions that "work is underway to make the FS Register easier to use and understand", it is unclear what the gaps are in this work which necessitate a secondary register to be created. There is no explanation around the feasibility of updating the FS Register (the 'Register'), which was the option suggested by the Committee, in comparison to creating a new one. Further, the cost benefit analysis of creating a new register (the 'Directory') lacks detail. Whilst we appreciate these are based on best estimates, there is no explanation of what the costs relate to and how these would be apportioned to firms.

It is also unclear under these proposals how the Register is supposed to have value. Although there will be automated data flows between the Register and Directory, we cannot see the purpose of the Register when the Directory is likely to be used by both firms and consumers instead.

As the Committee's recommendations focused on the consumer's experience, it would be confusing to have an updated and more user-friendly register running alongside the version it is supposed to supersede. Our concerns around consideration of purpose and the consumer journey extend to the proposed information in the Directory.

We are disappointed that there appears to be a regulatory view that the Money Advice Service (MAS) is a third party on par with a commercial firm, whereas MAS is an industry-funded and statutory body. As part of the memorandum of understanding between MAS and the FCA which commits to "minimise inconsistency and duplication and to promote coordination" by "working together on information aimed at consumers", we would have expected consideration of MAS's existing retirement adviser directory rather than the duplication set out in these proposals. This is particularly relevant given the imminent introduction of the Single Financial Guidance Body.

We understand that the core aspects involved in these proposals are:

- (a) There must be a register of all authorised firms and those individuals approved by the Prudential Regulation Authority and FCA under Senior Management aspects of the SMCR.
- (b) There should be a listing of all Certified persons and other individuals, such as Appointed Representatives, who as part of their role need to demonstrate they are suitable, competent and/or fit and proper (either to the FCA or their firm).
- (c) Consumers and others should be easily able to identify what permissions a firm holds, whether these are current, any restrictions that apply, and who in the firm is authorised.
- (d) Consumers and others should be able to identify individuals who hold suitable qualifications and what sectors of business they advise on.
- (e) Consumers should be able to find an adviser who suits their needs by understanding how they operate (face-to-face, telephone or online or other) and the geographic locations they will cover. They may also want to know if an adviser is independent, whole of market or restricted and whether they charge a minimum fee.

The proposals in this consultation do not appear to mesh with the Mortgages Market Study recommendations on intermediary choice, the work already completed by MAS which was in conjunction with industry, or the benefits or limitations of existing commercial search tools.

We believe it is important for consumers to be directed to a single source, from trusted and independent bodies, depending on what they are looking for. The most effective solution is for consumers to be directed to the regulator to check the validity of a firm i.e. elements (a) to (d) which is in line with the Committee's recommendation, but to the already established MAS service to find a firm or adviser who can help them (covered by (e)).

The Select Committee recommendations specifically focused on consumers being able to check permissions, i.e. making "vital consumer protection information" more transparent. We do not believe that the FCA should go further than these recommendations by creating a directory to help consumers find advisers, as this facility is already provided by MAS. We fear that by working in siloes the consumer experience and firms' fees are being sacrificed. There should be further consideration of what the consumer journey looks like and clarity behind the purpose of each directory, with effective signposting between the two. The paper does not cover how the proposed Directory would interact with MAS's retirement adviser directory, an established and unbiased source that consumers are already directed to by government, Pension Wise, consumer organisations and by the FCA itself. We agree that consumers should be able to find advisers suited to their needs, however we would expect MAS's directory to be expanded to encompass a wider range of advisers in order to achieve this. Consumers can already search for advisers of equity release through MAS, but not mortgage advisers. Due to interlinking consumer needs and continued innovation in products (e.g. retirement interest-only mortgages), being able to find mortgage advisers within this existing list would be a sensible progression.

We would consider the work in redesigning the Register and expanding MAS's directory as successfully addressing one of the remedies put forward by the Mortgages Market Study. The interim report suggested that firms' areas of expertise, scope of service and fees should be transparent to enable consumers to choose an intermediary. This information (as set out under (e)) is already shown in MAS's adviser directory, so expanding this to include mortgage brokers would be the most efficient and consumer-friendly option.

With the industry recognising the value in consumers having more holistic discussions, any proposal to further segment regulated markets and firms' businesses dampens this progress. It would therefore be inappropriate for the competition team to continue their work in this area to create a separate mortgage-specific broker directory, not to mention confusing for consumers to be directed to multiple sources.

## Questions

**Q1: Do you agree with the proposed scope of the Directory? If not, which individuals should be additionally included or taken out?**

We agree.

**Q2: Do you agree that the proposed information should be published on the Directory?**

We disagree with the proposal to include the workplace location for customer facing roles and without further information, such as how the adviser can actually conduct their business (face to face, telephone only, online or any combination of the three) or consideration of the area that the adviser is willing to cover. This incomplete information is potentially misleading for consumers, made more acute by the proposal to add the adviser's proximity to the consumer in the headline search result.

Whilst we understand the logic behind this proposal, there appears to be an assumption that all advisers offer face to face services: "The proposed capability to search based on an individual's proximity would enable customers to identify all those available to meet face to face. This would particularly help older customers and those less able to access telephone and internet services, such as those with disabilities". However there are advisers who only interact over the telephone or online, with these numbers increasing given the continued innovation of business models, so showing an adviser's proximity can be unhelpful for consumers if they do not offer face-to-face advice. We are also concerned about how results will mislead consumers about advisers who do offer face-to-face services, in particular how national firms will be displayed. Advisers may also be willing to travel, which will not be clear in the results. For those firms that only operate via telephone from a limited number of sites but provide national coverage this approach may act against their natural commercial interests.

In any case, we believe the proposed inclusion of an adviser's location overlaps the purpose of MAS's adviser directory, which is for consumers to find someone who offers the type of advice they are looking for, and whether that's in person, on the phone or online. It would therefore be appropriate for the MAS directory to be extended to include mortgage and other advisers in order to meet these consumer needs. We expect the FCA directory to focus on preventing fraud by making suspensions and permission restrictions transparent, rather than duplicating an existing service.

**Q3: Do you agree that the Directory user interface should display information stored on the FS Register and the new Connect database? If not, how should these datasets interact?**

We agree that firms should be able to report the information to the FCA via Connect. However we would prefer to see the current Register updated, to include the information that the FCA has proposed, as this would be clear to both consumers and regulated firms and negate the need to duplicate the display of information. We also believe the redesigned Register should link to the MAS adviser directory (and vice versa) in order to improve the customer journey.

**Q4: Do you agree that the search parameters should return a broader range of results than the current FS Register?**

We agree with making more information transparent to consumers. However we do not believe it is appropriate that results can be filtered by geographical location, for the reasons we have set out in our answer to question 2. This facility should remain with MAS.

**Q5: Do you agree with the proposed number of business days for reporting when an individual begins undertaking a relevant role, when their circumstances change or when they cease to perform a relevant role? If not, what timeframe do you think would be more suitable?**

These timescales are not achievable. Given that the principal firm e.g. the network may not be informed by its Appointed Representative until after several days that an adviser has left the firm, imposing an unrealistic deadline is unnecessarily punitive on firms. There should be a differentiation between reporting an individual dependent on their role, i.e. a change in Senior Manager should be reported within 72 hours whereas an individual performing a Certification Function should be reported within 5 business days.

The FCA should also publish its own internal rules and timescales for it updating the Register and Directory after a change has been reported, which we would expect to be within the same timescale imposed on firms.

**Q6: Do you agree with the proposed timing of commencement and transitional arrangements? If not, which timeframes would be more appropriate?**

We agree. We would expect the FCA to follow due process so that the system will accommodate stakeholder feedback rather than being designed ahead of the consultation process.

**Q7: Do you agree that our proposed measures for ensuring data accuracy are appropriate? If not, please provide details of any additional measures you believe should be taken.**

We agree.

**Q8: Do you have any feedback on this CBA?**

We welcome clarification of the initial and ongoing costs of the Directory, in particular what the costs relate to and how these will be apportioned to firms, even if separate project costs are not expected. The paper sets out that the FCA would “not routinely review the information entered into Connect by firms” therefore we assume the estimates wholly comprise IT costs. A breakdown of these costs would be welcomed, in particular the justification behind setting up a new platform and how the cost of improving the current Register compares.

It is unclear why the ongoing FCA costs, assumed to be annual, appear greater than the initial costs. In our discussions the ongoing cost was clarified to be a ten-year forecast rather than an annual estimate. We would be grateful if this could be clarified in future publications.

In our discussions we also questioned why the total costs to the FCA could be greater “depending on the frequency and volume of notifications made”, when the data will be automatically generated from other sources rather than requiring any manual intervention. It would be helpful for firms to clarify that this is based on a likely higher number of queries or inconsistencies which will be dealt with manually, and clarify how existing resources will be impacted.

**Q9: Do you agree that these proposals would not result in any direct discrimination against any of the protected groups? Please provide any additional feedback you believe is relevant.**

By introducing a facility to link an adviser's address to a consumer's geographical location based on limited information, the proposals could result in direct discrimination against protected groups as it will be more difficult for consumers with particular access needs to find an adviser.