



*Association of Mortgage Intermediaries' response to "Call for input -
Ongoing support for consumers affected by coronavirus: mortgages and
consumer credit"*

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI) and the Association of Finance Brokers (AFB). AMI is the trade association representing over 80% of UK mortgage intermediaries. AFB sits within AMI and represents second charge (formerly secured loan) brokers.

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. AMI members also provide access to associated protection products. AFB members also provide access to unsecured products.

Our members are authorised and regulated by the Financial Conduct Authority (FCA) to carry out mortgage, insurance mediation and consumer credit activities. Firms range from sole traders through to national firms and networks, with thousands of advisers.

Our comments

AMI recognises that this is a call for input directed at lenders, but as the distribution source that recommends and introduces circa 70% of mortgages we feel it appropriate to make some general over-riding comments but leave lenders and their trade bodies to deal with the detailed questions.

We share the concern over the impacts on incomes, employment and debt servicing caused by the pandemic. The interventions by FCA and Government have been timely, necessary and appropriate. We anticipate that most consumers will be able to return to making repayments by making good deferred amounts, capitalisation, or extending the term of their mortgage. For those who cannot we consider they will need individual discussions to chart a strategy. We support the four propositions as set out in the call for input.

We have a concern that many consumers will come to the end of their payment deferral periods, but still have limited certainty on the end of furlough and future employment. We hope that lenders will provide further temporary payment deferral until certainty will permit a discussion that can have tangible outputs. Providing a certain base to establish facts to agree a plan and payments is essential. Further forbearance from firms on a voluntary basis will be necessary.

We support the need to get accurate data provided to credit reference agencies, and that any further deferral should be recorded. This will assist in preventing those in difficulty obtaining

further problem debt. It would be better if there could be greater accuracy and consistency in the flags linked to agreed deferral and missed payments in order to ensure better discussions.

When Government announced the mass payment deferral programmes, they indicated this would not impact a consumer's credit score. In May, the Gov.uk website set out that "payment holidays and partial payment holidays offered under this guidance should not have a negative impact on credit files."

However, the FCA position since late May is that whilst credit files may be clear, lenders may use other sources to assess creditworthiness. Therefore, assessment of changes to income, expenditure, indebtedness or types of debt are permissible factors to meet the regulator's responsible lending requirements. Most lenders are now looking wider than the score to assess future affordability and are taking in other aspects including furlough, use of BB Loans, unsecured deferral and other facilities.

Lenders offered the option to defer and we now see borrowers who have taken support be viewed differently. It was and is a choice on both sides. But we risk a severe mismatch of consumer expectations that this would not have an impact and the reality which needs further consideration.

We can see that most lenders have limited call handling and processing capacity due to workplace social distancing requirements and remote working. The UK housing purchase market is showing record levels of activity, with very high levels of mortgage applications and lenders are both amending criteria and increasing interest rates to stem the flow of applications as they cannot cope with current volumes. This is without higher loan to value lending and we are yet to hit the peaks of mortgage applications created by the Stamp Duty discounts. AMI is concerned that the numbers of consumers needing individual discussions as they come to the end of payment deferral will be beyond the capacity of lenders given their current operational constraints.

The trade press recently has covered that a number of larger lenders have issues within their collections and recoveries teams involving FCA review. The public need assurances that these firms have capacity, competence and controls.

Mortgage intermediaries could provide triage and advice but would need access to information from lenders and to enter into commercial contracts to provide support. Intermediaries could be used to gather customer data into the SFS to support lender teams. It will be critical that lender support teams have particular knowledge of the various types of Help to Buy schemes which may limit lenders' ability to act in the customers' best interests.

We are concerned that where customers are encouraged to change to some form of interest only arrangement that they may become "prisoners" as any move back out will require passing a full affordability assessment.

We consider it would be helpful if FCA could discuss with the relevant Government departments whether it would be beneficial to:

- Reduce the qualification time for Support for Mortgage Interest from 39 to 13 weeks.
- Bringing forward the start date of the Breathing Space scheme to this year.
- Consider the previous mortgage rescue scheme by amending and using this as a means of local authorities increasing their housing stock for the longer term.

AMI appreciates the opportunity to contribute to this call for input.

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