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*Association of Mortgage Intermediaries' response to FCA CP 23/8 Multi-occupancy buildings insurance*

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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 view

We are supportive of measures to help leaseholders and welcome the intentions behind these proposals. We are involved in cross-industry work led by the Home Buying and Selling Group (HBSG) to embed the Building Safety Act and are working closely with Department for Levelling Up, Housing and Communities (DLUHC) and other industry groups to resolve barriers to providing mortgages for affected leaseholders.

It is important that affected leaseholders (and especially those who have become mortgage prisoners as a result of building safety issues) can re-enter the mortgage and wider property market on an equal footing with freehold property owners. Improving access to insurance is a key component of this, as most mortgage lenders require leaseholders to be able to demonstrate there is a buildings insurance policy in place as a condition of the mortgage. We feel the proposals contained within this consultation will be supportive of that aim.

The distribution of multi-occupancy buildings insurance is niche within the mortgage intermediary sector and therefore only a small minority of mortgage intermediary firms are likely to be affected by these proposals. On this basis we have decided not to answer the set consultation questions given our limited insight, however we ask the FCA to consider our comments made in this section ('Our view') as part of its broader review of stakeholder feedback.

We believe the issues and harms highlighted in this consultation paper are isolated to the multi-occupancy buildings insurance market. We are supportive of the FCA's comments that there is no

evidence for additional specific rules around broker remuneration beyond what has been proposed and is in force already, or due to come into force in respect of Consumer Duty<sup>1</sup>.

However, we ask the FCA for assurances that this view applies equally to the wider GI and pure protection market. We believe the existing controls and those due to come into force as a result of Consumer Duty are sufficiently robust tools to regulate the sector.

More broadly, we do not anticipate a wider FCA review of remuneration models beyond the multi-occupancy buildings insurance market as, within the insurance markets that our member firms operate in (primarily GI and pure protection), we believe commission based remuneration models generally work well in our sector and help to deliver good consumer outcomes.

For example, helping to tackle financial exclusion by removing the upfront financial cost to the consumer which could be perceived as a consumer barrier to advice and financial services products in general, particularly for those consumers with vulnerable characteristics. This is even more pertinent during the rising cost of living, where mortgage customers may be facing increased monthly mortgage repayments and therefore are facing potential pressures on premium spend, which could be exacerbated should a customer be required to pay for insurance advice upfront.

We note the FCA's comments around the significant shortcomings identified in the broker remuneration work completed by firms to comply with existing PROD rules. We ask the FCA for confirmation as to whether this comment relates to broker firms within the multi-occupancy buildings insurance space only or is a more general observation.

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<sup>1</sup> <https://www.fca.org.uk/publications/multi-firm-reviews/multi-occupancy-buildings-insurance-broker-remuneration>