



Association of
Mortgage Intermediaries

*Association of Mortgage Intermediaries' response to SRA: Protecting
consumers from excessive charges in financial service claims*

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

AMI welcomes these proposals by the Solicitors Regulation Authority (SRA) and hopes that they will reduce the harm caused to consumers (some of whom are vulnerable): those who have to pay large amounts of the redress awarded to them to solicitors in claims relating to financial products and services, through fees and other charges; those who do not fully understand the options available to them; and those who are encouraged to take out loans to fund the claims process.

We welcome this joint approach from the two regulators and are supportive that the SRA will fulfil its duty to regulate against excessive fees in the overall market to reduce harm for all financial services consumers from excessive or opaque fee charging structures.

From our perspective it is critical that the regulation and review of firms undertaking claims through SRA authorisation is brought in line with the regime operated by the FCA. We hope that this will avoid "regulatory arbitrage" by firms avoiding one regime as it is seen to be more onerous, but reduce consumer protections. Accordingly, we believe the proposals should be implemented as quickly as possible, as consulted on.

Questions

Q1: Do you agree with our assessment of financial service claims management activity provided by law firms and solicitors? If not please explain why and, where possible, provide evidence to support your view.

We agree and are supportive.

Q2: Do you agree we are using the right objectives as the basis for developing our rules? If not, please explain why.

We agree and are supportive.

Q3: Do you agree with our proposal to replicate the entire FCA's banding framework for CMCs in our rules, but with specific limited circumstances where the banding model and maximum charges would not apply? Where possible, provide evidence or examples that illustrate why you think this.

We agree and believe that the elimination of differences in the two regimes will ensure that there is a significant reduction in the risk of their being consumer detriment.

Q4: Do you think our proposed circumstances for charges to be eligible for exemption from the parameters of the banding framework are appropriate? If not, please explain why.

We agree.

Q5: Do you consider that there are any circumstances in which exemptions from the parameters of the banding framework would be appropriate for a claim entirely dealt with through a statutory redress scheme (the third exemption we are considering)? Please provide evidence where possible to support your view.

No comment.

Q6: Do you have any comments about information transparency for consumers, and our proposed requirements and approach?

We agree with the proposal to require solicitors to inform prospective clients for financial services claims about their options to pursue their claim without representation including through signposting to relevant redress schemes.

We approve of the requirements for clear cost information prior to entering into a contract and consider that these will be beneficial to consumers trying to receive good value for the service provided.

It is our view that the information transparency will improve consumer awareness and given the large number of potentially vulnerable customers, it would seem to be a sensible step to mitigate any potential harms caused by behavioural bias or information asymmetry.

Q7: What areas do you think we should cover in guidance to support the introduction of the new rules?

No comment.

Q8: Do you agree we have identified and are considering the right impacts? If not, what else do you think we should consider?

We agree.

Q9: Do you agree with our assessment of equality, diversity and inclusion considerations in our impact assessment? If not, what else do you think we should consider?

We agree.