



Association of
Mortgage Intermediaries

*Association of Mortgage Intermediaries' response to FCA CP21/5: Quarterly
Consultation Paper No. 31, chapter 3.*

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. 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

Q3.1: Do you have any comments on the proposed changes to TC?

We are concerned that there may be an error in the wording of the proposed rule TC 2.1.31AR which is included in Appendix 3 of the consultation paper. The rule as written currently, seems to widen the scope of those required to have a statement of professional standing from an accredited body to "retail financial advisers". This would be a material change in the requirements for mortgage intermediaries.

The proposed rule states that, "the firm must also, within the same timeframe, send a similar notification to the *accredited body* that issues a statement of professional standing in respect of that *retail financial adviser*." We would appreciate clarification that the rule should actually read, "a statement of professional standing in respect of that *retail investment adviser*."

If this is not the case and the rule has been written as intended, then we believe this to be a material change to our sector and ask for this to be withdrawn and to be fully consulted upon in a transparent manner. We would also ask for the definition of the term 'retail financial adviser' to be included in the FCA Handbook Glossary.

We believe that the reference in rule TC 2.1.31AR should read "under TC 2.1.31R(3)." We'd be grateful for clarification that there is indeed a typographical error.

Finally, we do not support the proposed change to guidance in TC App 6.1.1G that amends the requirement of the submission of an annual audit from accredited bodies to an audit submitted every 24 months. Due to the invocation of the FSCS retail pool, mortgage intermediary firms are currently paying significant sums for the bad advice given in the past by investment advisers. We do not anticipate that this will be constrained in the near future. The proposed amendment will reduce the

timeliness of the information passed from accredited bodies to the regulator and could, therefore, lead to an increased risk of consumer harm. The introduction of the statement of professional standing from an accredited body as part of the Retail Distribution Review was intended to deliver proactive intervention from the professional bodies. If this is not occurring, then we would challenge the value of the system.