

January 2012

## Introduction From Nikki Haworth



Happy New Year and welcome to 2012!

The end of the year brought the publication from the FSA of the Final Consultation Paper for the Mortgage Market Review. David's article this month gives you the key points of the 585 pages and gives Industry opinion on how this will affect us all.

From a Company perspective November and December were record months for case numbers and despite only being a 3 week month

December matched November. This shows we are all busier and should mean a good start to the year.

So what's the forecast for this year?

Following a survey of members in December IMLA predicts gross mortgage lending of £130 billion for 2012. The Council of Mortgage Lenders predicts a similar level at £133 billion. While this is slightly less than 2011 it is a realistic view. While this doesn't sound great and represents only two thirds of the lending done in 2007 you should remember that there are two thirds less Intermediaries in the Market place so roughly the same amount of business per broker to write; and CML figures show that Intermediaries accounted for 64% of sales in the third quarter of 2011 so you still have a good proportion of the available business to go for.

The Market for 2012 will remain flat so make the most of every opportunity. Contact your client base. Write more protection to safeguard your clients from the effects of redundancy and illness and look at other income streams to broaden your offering.

Ingard will be helping you by providing training and new business ideas throughout the year. The first of our 'Working Lunch' workshops takes place on 25th January in Southend. Make sure you book your place on this and other Regional events.

As lenders bring out new products for Buy to Let, First Time Buyers and Self Employed, make sure you keep your knowledge up to date to ensure you don't miss out on any opportunities. People still need mortgages and the desire to own your own home is still there. And for the many people out there who can't get a mortgage the demand for rental properties will continue to rise.

So get focussed, keep positive and start selling!

*Nikki*

### Quick Links

[Introduction From Nikki Haworth](#)

[Word from the FSA](#)

[Word from David Ewing](#)

[Mortgage News](#)

[3mc, Precise & Aldermore](#)

[IFA Conveyancing](#)

[Fluent Money](#)

[Insurance News](#)

[PruProtect](#)

[Berkeley Alexander](#)

[Letter to the Editor](#)

[CPD Summery](#)

# Word from the FSA

## Business Risk Workshops

December's newsletter provided further guidance on what firms should expect during the workshop and assessment that the FSA is conducting on Business Risk. All firms will be included in the workshop and assessment over the next 3 years, commencing in the North West, with workshops having already being held and assessments being completed in February 2012 in the North West. During 2012, the regional areas are expected to be the South West followed by The Midlands.

It has also come to light that the FSA has not contacted all firms that fall into the North West region. Those firms should ensure that they contact the FSA to make arrangements to attend a workshop and to ensure that they are included in the February 2012 assessments. We will endeavour to obtain the postcodes on a regional basis to ensure that all firms receive an invitation FSA are able to attend a workshop. We will also endeavour to provide firms with guidance during our usual compliance meetings, and in addition to this, for firms that require further guidance we will be providing a half day workshop to help you prepare.

The FSA has now published further guidance on its website:

<http://www.fsa.gov.uk/smallfirms/workshops/index.shtml>

On the FAQ page, there are details of who to phone /email at the FSA in the event that you have any questions about booking forms, invitations etc.

## HSBC fined £10.5m over mis-selling

The FSA has issued its largest retail fine of £10.5m to HSBC because of inappropriate investment advice provided by one of its subsidiaries, NHFA Limited.

Between 2005 and 2010 NHFA Limited advised 2,485 customers to invest in asset back investment products, typically investment bonds, to fund long term care costs for elderly customers. The products were sold to individuals entering, or already in, long term care and in many cases these elderly customers were reliant on the investments to pay for their care. The advice was found to be unsuitable because in a number of cases the individual's life expectancy was below the recommended 5 year investment period. As a result, customers with shorter life expectancies had to make withdrawals from these investments sooner than is recommended. The combination of withdrawals and product charges led to a reduction of capital. Overall, a sample of customer's files found unsuitable advice had been given to 87% of customers involving these investments.

The FSA concluded that NHFA Limited had not considered the individual needs of its elderly customers and failed to recommend suitable products for their circumstances including the tax status of its customers.

The FSA stated, "NHFA's customer base was particularly vulnerable. The average age was almost 83 and they therefore had limited means or opportunity to make up any financial loss resulting from an unsuitable sale. A significant number of customers may have suffered financial detriment."

## Money Advice Service

The Money Advice Service says it is moving towards offering an "advice type" service, rather than information and guidance only, but insists that it will not enter the regulated advice space. Francis Gee at MAS stated that people are more aware of the need for financial advice in tough economic times, but it is difficult to convert that awareness into action. He went on to state that "advice of all kinds can help with that. Advice is more directional, more assertive, more personal, than simply and solely information and education type activity. Which is why at MAS we

are moving very clearly from just doing information and education towards doing advice type activity.”

### RDR Newsletter # 3

The FSA has issued a third RDR newsletter that states:

- The rules confirming that payment of trail commission can continue for pre RDR advice and that trail commission can be re-registered to a different adviser where the customer moves to a new adviser. An ongoing service must be provided in return for the commission
- The 6 accredited bodies
- The final rules on data collection through the RMAR and adviser complaints.
- Further consultation will be made on how platforms are remunerated
- Guidance for simplified advice (a term adopted to describe streamlined advice processes that aim to address the straightforward investment needs of consumers).
- Clarification on the term Independent with regard to high risk investments such as UCIS.
- The FSA is being flexible on the “Statement of Professional Standing” and advisers have 60 days from 31st December 2012 to obtain the independent verification from their accredited body.
- For those advisers who, for very specific reasons, are unable to meet the end-2012 deadline can apply to the FSA for an extension to the deadline through the waivers process.

The entire newsletter can be located at:

<http://www.fsa.gov.uk/pubs/newsletters/rdr3.pdf>

### Financial Services fraud costs the economy £3.6bn a year

The FSA has recently issued its guidance on Financial Crime (see Special Bulletin – December 2011) which coincides with a report published by City of London Policy and the National Fraud Authority that highlights the total cost of fraud in 2009/2010 was £38.4bn.

Fraud within the financial services sector cost the UK economy about £3.6bn in 2009/2010 meaning that it accounts for almost 10% of the cost of fraud overall. The National Fraud Authority research showed that approximately 86,500 people aged 66 and over were subject to financial abuse over a 12 month period, with financial crime recorded as the second most common type of abuse experienced by older people in the UK. Tax was the biggest cost overall, accounting for about £15bn of losses to the economy.

---

## Word From David Ewing



I would like to take this opportunity to wish everyone a healthy and prosperous New Year.

The end of 2011 saw the release of the MMR consultation paper, closely followed by brokers and the media questioning exactly what it meant for the broker; some parties even saying it was the beginning of the end for the mortgage broker..... what a load of cods wallop!!!!

With close on 600 pages there is a lot to digest and whilst there are a number of controversial areas, on the whole, much of it seems to be to the benefit of the professional broker, accepting of course that there are inevitably some areas that do make our jobs that little bit harder!

- The abolition of non advised sales can only be a benefit with some telesales call centres being forced to

rethink their strategies. This can only be a positive for brokers.

- Execution only for the professional client. An area that will need to be closely monitored and could be abused by some firms, but a possible benefit to our sector all the same.
- Affordability once again reverting to the lender, with no requirement on the intermediary to carry out an affordability assessment. Whilst we may finally have clarity here, there should still be an onus on the broker to act professionally and ensure the client can afford any borrowing they may be requesting.
- The IDD will disappear although personally I feel a uniform document makes it much easier for a client to compare like for like and ensures transparency.
- KFI documents will remain, which is turnabout from earlier proposals.
- Interest Only lending will be allowed to remain but an acceptable repayment strategy will be required, the 'sale of property based on future growth' will not be acceptable
- Direct deals can finally be considered for the client without the need to produce a KFI.
- An expectation for all persons giving advice / selling to be qualified to the same levels. This will make for a much fairer playing field.
- More stringent controls on niche areas such as bridging.
- Specific rules for high net worth clients.
- Consideration of those in negative equity with relaxed criteria permitted.

I have only looked at some of the points here, and it is my genuine belief that the professional adviser currently following a sensible and structured process acting in the clients best interests, will be largely unaffected by these amendments. Indeed business levels should increase not only as those less accepting of the requirements will finally be forced to close up shop but the big corporations will also have to make some decisions and assess the cost of converting to Advised Only sales. There seem to have been a number of changes and about turns since the earlier MMR proposals and dare I say the FSA appears to have listened to the market. As we move further into 2012 and beyond, in a post MMR environment there is no reason why the broker community won't thrive and continue to offer a much needed service that is unrivalled by the 'High Street'.

*David*

---

## Mortgage News

### **Mortgage Fraud up 77%**

Instances of mortgage fraud have increased by 77% in the three months to September compared to the same period last year. 49 in every 10,000 mortgage applications were found to be fraudulent, up 53% on the previous quarter.

Nick Mothershaw, director of identity fraud at Experian UK & Ireland has stated, "More than 90% of mortgage fraud tends to originate from genuine individuals misrepresenting their financial situations attempting to buy property that would ordinarily be out of reach."

### **Non advised mortgage firm fined**

The FSA has fined a non advised mortgage firm £28,000 for failing to treat customers fairly who took out mortgages and bridging loans. The firm's owner and director has also been banned from performing significant influence functions in the future.

370 Regulated mortgage contracts and 18 regulated bridging loans were arranged between August 2005 and March 2010. The FSA considered that the non advised sales process put customers at risk of taking out a mortgage where they did not fully understand the loan's risks, features and costs. These issues were identified during a supervisory visit which led to the firm being referred to enforcement.

The FSA considered that the firm failed to establish a non advised sales process which ensured customers took out an appropriate mortgage and were treated fairly. The firm also failed to ensure that sales staff were competent and adhered to non advised sale scripts and avoided giving personal recommendations to customers. The FSA also found that the firm failed to present all options to the customer in a fair and unbiased way and to clearly disclose the cost of its services.

The FSA also stated that the firm failed in its oversight of the business. Senior Management functions were delegated and as a result failed to supervise, monitor and train staff adequately, and to identify and mitigate risks posed by the business. The firm is now required to appoint a skilled person to assess the extent of any customer detriment and pay redress where appropriate.

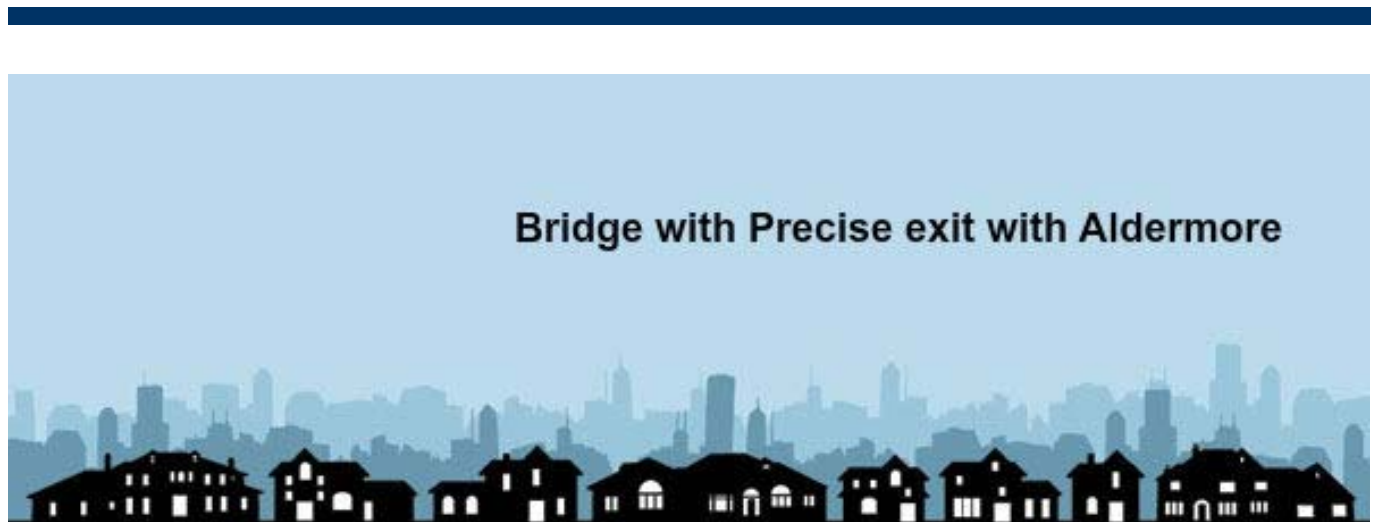
Tom Spender, head of retail enforcement has stated, "Firms and their senior management cannot absolve themselves from responsibility for a mortgage sale because they have chosen to sell on a non advised basis. They must ensure communications with customers are clear, fair and not misleading and that they do not sell a product which is inappropriate for that customer. This is particularly important where those customers are vulnerable, in arrears or facing repossession."

### **No requirement for intermediaries to ask lenders their reasons for refusing applications**

The FSA has ditched its plan to demand intermediaries insist lenders to tell them why a mortgage application is rejected.

In a Consultation Paper earlier this year, the FSA stated it wanted intermediaries to ask lenders their reasons for refusing applications. However, in its financial crime guidance recently issued, the FSA admitted that advisers were unlikely to be able to do this as "a lender might want to withhold this information if, for example, they have suspicions about the intermediary."

The FSA stated, "While we consider that sharing this information is a valuable fraud prevention tool we acknowledge the difficulties faced by intermediaries seeking to apply this piece of good practice and have decided to remove it."



# Bridge With Precise Mortgages Exit With Aldermore Earn 2%

3mc in association with Precise Mortgages and Aldermore Commercial are pleased to announce the launch of a unique new product - [Purchase Bridge and Remortgage Exit Product](#).

Precise Mortgages have recently launched into the short term lending market with rates starting from 0.85%. Aldermore Commercial will consider a remortgage prior to 6 months ownership away from a bridging lender.

[Click here](#) and then click on the [Purchase Bridge and Remortgage Exit Product Guide](#)

**Aldermore Commercial OFFER FOR A LIMITED TIME ONLY - For applications up to and including £250,000 the lenders arrangement fee is reduced to 1.25%.**

## Example case:-

Clients wish to purchase a property at auction and intend refurbishing throughout to then retain the unit and let out. Precise Mortgages will arrange the short term funding on their light refurbishment product to 70% LTV at a rate of 1.3% per month. Aldermore Commercial will then provide the exit within 6 months and once the works have been completed to 90% of the legal purchase price plus 90% of the evidenced refurbishment costs. Subject to not exceeding 70% of market value and case meeting standard serviceability criteria.



Note. 3mc is the only UK mortgage club and packager providing access to the following lenders under one umbrella

- Aldermore Commercial
- Aldermore Mortgages
- BM Solutions
- GE Money
- Kensington
- Precise Mortgages
- Precise Short Term Lending
- Shawbrook Bank
- Shawbrook Bank Short Term Lending

---

## IFA Conveyancing

IFAConveyancing is an independent comparison engine that provides a comparison of conveyancing costs from a carefully selected panel of conveyancing solicitors. The programme provides a prospective client with a summary of costs in an easy to compare format and all the additional information required to make an informed choice when instructing a conveyancing solicitor, such as:



- Total guaranteed cost of the whole transaction – complete transparency
- Complete itemised breakdown of the whole transaction
- Standard 'no completion no fee service'

- No fictitious disbursement policy
- Ability to fully instruct online

The amount of information required from a client / broker to obtain a personalised illustration takes just a few seconds to input, and requires no personal information up front. All instructions are passed to the relevant solicitor electronically, and the client receives a welcome email with confirmation of the contact details for their chosen firm in a matter of seconds, along with a named case owner. Below are some of the benefits of using IFAConveyancing to place your conveyancing instructions. Remember, there are advantages whether you currently do, or do not place business for your clients!

<b>Currently do conveyancing (local arrangement, panel, etc.)</b>	<b>Do not do conveyancing</b>
<ul style="list-style-type: none"> <li>• Cheaper than all other panels by between £200 - £400 on a sale &amp; purchase (when comparing the same solicitor firm)</li> <li>• Beware of panels who take more in referral fees than you – its your client!</li> <li>• Up to 50% cheaper than high street solicitors</li> <li>• Referral fees up to £300 per transaction</li> <li>• Unique white label option for your website</li> <li>• All quotes totally transparent – the price you see is the price the client pays</li> <li>• Unedited feedback from previous clients</li> <li>• Standard 'no completion no fee service'</li> </ul>	<ul style="list-style-type: none"> <li>• You are losing out on a revenue stream!</li> <li>• Estate agents, Meer Cats, are all profiting from your generosity!</li> <li>• It takes less than 2 minutes to research and place the instruction ensuring you remain in control</li> <li>• Up to 50% cheaper than high street solicitors</li> <li>• Referral fees up to £300 per transaction</li> <li>• Unique white label option for your website</li> <li>• All quotes totally transparent – the price you see is the price the client pays</li> <li>• Unedited feedback from previous clients</li> <li>• Standard 'no completion no fee service'</li> </ul>

We are looking forward to meeting many of you at your lunchtime seminar meeting on 25th January in Southend, but we are available at any time to take queries over the telephone on 0845 299 8652.

*Andrew Richardson*  
*Business Manager*



# How to identify a secured loan



Perhaps you have a client that is already on a competitive low mortgage rate; perhaps your client is tied in with heavy redemption penalties.

It may be that they need funds quickly with no upfront fees to pay and are happy to use the equity in their home. It may be that their credit status has changed for the worse or they have simply become self-employed and finding it difficult to raise finance.

Secured loans are useful when the client is looking to borrow a larger sum of money over a longer term. Remember too that there are no high early redemption penalties with only one month's notice followed by one month's interest required.

A secured loan can be used for almost any purpose with perhaps the most common being debt consolidation followed by home improvements.

There are many reasons why the traditional route via a re-mortgage, further advance or personal loan is either not available nor the best advice and where often a secured loan could be the right product and the right advice.

With fluent money we are passionate about getting your client the very best loan product to suit their circumstances. Average commissions' payable to brokers of around £1000 with payments made every Friday.

## Get in touch

Jeff Davidson, Commercial Manager, Fluent Money.

Fluent Money Limited  
102 Rivington House  
Chorley New Road  
Horwich  
Bolton BL6 5UE

**Tel.** 01204 477 500  
**www.fluentmoney.co.uk**

Contact Jeff directly. 01204 477 525  
E-mail. [jeffdavidson@fluentmoney.co.uk](mailto:jeffdavidson@fluentmoney.co.uk)

# Insurance News

## Government brings in gender ruling

Whilst the Government believes the European Court of Justice's gender ruling is detrimental for customers, it considers that there is an obligation to make it law.

In its Consultation Paper, the FSA has proposed how insurers can use gender as a risk factor in light of the European Court of Justice's judgement, ruling that insurers cannot charge different annuity rates for men and women. The ECJ rules the use of gender as a risk factor by insurers should not result in individual differences in premiums and benefits for men and women, with effect from 21st December 2012. The Consultation Paper reiterates its legal interpretation that the judgement applies only to new contract entered into after 21st December 2012, so existing contracts are not affected.

---

## PruProtect

**Your clients could get back more in savings, discounts and rewards than they pay in premiums with PruProtect**



PruProtect have enhanced their product and Vitality range to help your clients get healthier - and save them money at the same time. In addition to broadening the appeal of Vitality and PruProtect, these enhancements have opened up new sales opportunities to help you grow your business.

### Introducing Premium Saver

PruProtect continues to drive innovation in the protection market with the launch of Premium Saver.

Automatically available to all new protection clients\*, and at no additional cost, it allows your clients to build up premium savings over each five year period. Then the savings they've built up are used to reduce their premiums for the next two years. How much they build up will depend on their cover; whether the cover is indexed, level or decreasing; and what their Vitality status is at each plan anniversary.

With Premium Saver, the more your client engages in the Vitality programme and improves their health, the higher the savings they could make. In fact, if your client has an indexed plan and they achieve Vitality's Platinum status each year, they could save as much as their first year's premium, every five years.

Existing clients don't need to miss out either! From 1 January, they'll be able to upgrade their plan to include Premium Saver (for an additional premium) at their next plan anniversary.

Commenting on their latest development, Deepak Jobanputra, PruProtect's Actuarial and Product Director, said: "We are excited to launch our Premium Saver benefit to the market, as we acknowledge that getting policyholders to recognise the value of their policy and feel that their cover is an ongoing contract, rather than a one-off document to be filed away, is crucial in helping us to promote the value of protection."

### Premium Discounts

With a PruProtect Plan, your clients will also still get the chance to reduce their premiums each year with Premium Discounts. The healthier they get with Vitality, the bigger the discount. And as an extra bonus, once they've earned a discount, they keep it until the end of their plan— so the discounts keep adding up!

### New Vitality health and reward partners

To make it even more affordable and rewarding for your clients to get healthy, PruProtect have reduced the monthly premium of Vitality Plus to £6.50 and also welcomed a wide range of new lifestyle, travel and entertainment partners into the Vitality programme. Clients could now receive substantial discounts from the National Trust, Vodafone, Ticketmaster, Merlin and Imagine Cruising, to name but a few. Combine this with existing partners, such as Virgin Active and LA fitness, and your clients could literally save thousands of pounds each year. The more they take part in Vitality, the bigger the rewards become.

### **Three ways to save money with Vitality**

If your client has a PruProtect Plan and they upgrade to Vitality Plus, they could save money in all three ways. Put simply, by the time their plan ends, they could get more back in savings, discounts and rewards than they paid in premiums.

### **New online Vitality calculators**

To demonstrate the value of these fantastic new initiatives, PruProtect have launched two interactive online calculators to make it easier for you to show your clients the value of Vitality.

PruProtect's Partner [Savings calculator](#) has been designed to help you show your clients just how much they can save through Vitality partners. Simply select the partners your clients are likely to use, click on a Vitality status and it calculates the savings that they could make over a year.

A likely question to be posed by a client could be "What exactly do I have to do to get these discounts?" There are plenty of ways for them to earn Vitality points, and watch their Vitality status improve - things like having a health check, creating a healthy meal plan, or working out at a gym. With the PruProtect [Points calculator](#), you can quickly show your clients the status they could reach. All you'll need to do is answer five simple questions and the calculator predicts their likely status.

### **New quote tool coming soon**

In their continued efforts to provide you with the solutions you need to deliver a more personalised proposition to clients, PruProtect are launching a new and improved quote tool. The new tool, coming soon, will provide you with more support during the sales process, as well as quicker and more tailored quotes. Have a look at what's to come in their promotional [video](#).

**To find out more about PruProtect's latest product and Vitality enhancements, please speak to your Account Manager or visit [www.pruprotect.co.uk/launch](http://www.pruprotect.co.uk/launch)**

\*Premium Saver is not available for Business Protection Cover and Relevant Life Policies and does not apply to the premiums for Unemployment Cover, Health Cover and Vitality Plus.

---

### **New "Struggle Service" from Berkeley Alexander**

How many times do your client's General Insurance needs fall beyond the standard terms offered by providers? How much time do you end up spending on these cases? Worse still, do you find yourself giving-up on these cases altogether?



We're talking about cases where there are:

- claims
- subsidence problems
- properties close to a river/water course

- sums insured over the standard limits (mid or high net worth clients)
- high value specified items
- high risk occupations
- non-standard construction
- listed buildings
- extensive outbuildings needing cover
- property with an element of business use
- and the list goes on.....

In response to recent demand, Berkeley Alexander have launched a new service for advisers who are having difficulty with these types of issues. Our new "**Struggle Service**" puts dedicated expert help at the end of the phone, and will turn any problems you have into the opportunities that you really want.

### **Fully Advise or Introduce?**

We're happy to discuss the case with you and provide quotes if you wish to fully advise, or alternatively you can introduce the customer to us and we'll take all of the advice and regulation workload from you as well.

### **The "Struggle Service" Hotline**

Call our dedicated number 0845 355 1166 and speak to one of our experts. They have access to specialist markets and insurers which most providers simply can't match. Let them find the right product, with the right cover, and at the right price for your client.

Call us now on 0845 355 1166 or email [struggle@baonline.co.uk](mailto:struggle@baonline.co.uk) and make life just that little bit easier.

---

## **Letter to the Editor**

Thank you for your regular enquiries. We are always keen to receive an enquiry that is a little out of the ordinary.

Last month we had a number of queries about emails that some of you had received on the topic of recording mobile phone calls and whether, with the proposed new legislation that was due to come into effect from 14th November, this would impact on your firm.

These emails were being sent out to firms in response to a consultation paper that the FSA produced last year and the final rules that came about as a result of this. The consultation paper is CP10/17 Taping of mobile phones and the final rules came into effect in quarter 4 of this year on 14th November.

Prior to the consultation the COBS rule 11.8 allowed mobile phone conversations to be exempt from the call recording rules. In other words where regulated firms were already required to record their calls as part of their existing business structure and permissions this did not extend to mobile phones or other non business hand held equipment.

Following the consultation this has now been revised and the FSA recognises that significant calls with customers can take place on 'private equipment'. As such, they have removed the exemption and the rules now include all hand held electronic equipment including mobile phones that are used for business purposes.

However before you all wonder about the implications that this may have for your firms, rest assured that this new legislation is aimed at firms such as Banks, Stockbrokers, Investment Companies and Fund Managers; companies that are already required to record client calls and retain records for a period of 6 months minimum.

For a firm currently regulated under COBS rules that records client calls as part of its business, providing it does

not conduct business calls to clients on any private equipment which would prevent it from being recorded i.e. personal mobile phones should not be affected.

Below are links to the Consultation Paper 10/17 and the FSA Newsletter that summarise the final rules.

[http://www.fsa.gov.uk/smallfirms/pdf/mobile\\_taping.pdf](http://www.fsa.gov.uk/smallfirms/pdf/mobile_taping.pdf)

[http://www.fsa.gov.uk/pubs/policy/ps10\\_17\\_newsletter.pdf](http://www.fsa.gov.uk/pubs/policy/ps10_17_newsletter.pdf)

---

## CPD Summary

Our aim is to provide you with important regulatory information, keep you up to date with Industry news and provide you with new ideas for you to best service your clients and generate income. By reading our Newsletter every month you can collate your necessary CPD hours.

Please tick the box to confirm you have read and understood the contents of this newsletter.