

**The Chartered Banker Institute
Response to FCA CP19/17
Consultation on mortgage advice and selling standards**

We welcome this opportunity to provide input into the forthcoming review.

Our Institute is focused on raising and sustaining professionalism across the financial services sector and in promoting to our members, and others, the very highest standards of knowledge, skill, integrity, trust and behaviour. We are therefore supportive of all efforts to improve outcomes for consumers through the regulatory regime.

Below, we comment only on those aspects of the planned review which fall within the Institute's expertise and on which we are expected by our members to comment.

For more information about our ongoing work, please see [Annex 1](#).

General Comments

We commend the progress made by all parties following the implementation of the MMR recommendations. For the majority of consumers, a mortgage remains the biggest financial commitment they will make during their lifetime. As such, an important element of the mortgage discussion goes beyond the actual mortgage sale into consideration of suitable protection products. This is often the first time a consumer will have considered their protection needs. The value of suitable advice cannot be under-estimated, and it is essential that how these changes are communicated to consumers and others must not undermine the good work so far and should continue to stress the value of receiving good quality advice.

Whilst considering future amendments to the existing rules and guidance, and the broader importance of property purchase to the society, we would have liked to have seen some reference by the FCA of the need for lenders to encourage and support consumer choices. With the increased availability of green mortgages, there is much the regulator could be doing through this initiative to set its expectations of lenders with regard to such broader societal issues. As noted by the European Energy Efficient Mortgage Initiative¹, mortgage lenders, "can play a game changing role in providing long-term financing for energy improvements to the existing European housing stock". It aims to incentivise borrowers to improve the energy efficiency of their properties or to acquire highly energy efficient properties, by way of favourable financial conditions linked to the mortgage, for example. We understand it is also testing the assumption that energy efficiency leads to a reduction in the impact of energy costs on income, reducing the borrowers' probability of default. We believe the FCA could show greater commitment to supporting the sector to encourage more responsible and sustainable lending decisions making.

¹ <https://eemap.energyefficientmortgages.eu/services/>

Response to FCA Questions

Q1: Do you agree with the proposed changes to our Perimeter Guidance to show that a tool allowing a consumer to search, and filter based on objective factors is not necessarily giving advice?

We agree that the use of such tools in this way would not necessarily be advice. However, it is therefore essential that this is clear to the consumer and the limitations of such a tool are highlighted. We do not have evidence to support our concerns, and it may be that the FCA has more detailed insight, but we would ask that careful consideration is given with regard to the treatment of sensitive information in such tools. It may be that consumers are less willing to divulge full details through filters, as perhaps they would in dealing with an adviser. Certainly, they would not have the opportunity to ask if a particular piece of information was relevant or not.

Q2: Do you agree that we should more closely align our Perimeter Guidance on mortgage advice with the Perimeter Guidance on advising on investments?

We are supportive of this proposal, particularly with regards to the clarity between advice and information [PERG 8.28 - the element of opinion] and the concept of filtered systems '*assisting the person to make their own choice of product which has particular features which the person regards as important*' [PERG 8.30A.4].

Q3: Do you agree with the way we have characterised the types of tools that already exist or could be developed in the mortgage market?

No comment.

Q4: Do you agree that we should permit more interaction with customers before firms are required to give advice?

Yes. There can be many complicated interactions and relationships behind a consumer's choice to seek a mortgage. Before advice is given it makes sense for both parties that a firm can gain sufficient information to be able to understand the consumers motivations and objectives before triggering advice.

Q5: Do you agree with the examples of interactions that should not trigger the need to give advice?

Given that the purchase of property is for many the most significant financial commitment they will make, and that their choices associated with property purchase can also have wider societal impacts [for example; supporting moves towards a more sustainable economy, and the impacts of climate change], we believe the value of seeking qualified professional advice should be stressed at all opportunities. However, the types of interactions given in the paper exemplify the issue well and we would agree these should not trigger the need for advice. It would be valuable to use case studies / clear examples in any guidance/communications with consumers.

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Q6: Do you agree that we should remove the prescriptive detail on firms' execution-only policies?

The term execution only was arguably never quite intended for this market, originally a service reserved for expert investors. We understand its use here to mean a sale without advice and may not involve any opportunity to assess the consumer's level of financial knowledge. Certainly, it should be easier for those seeking to re-mortgage or that are not first-time buyers: simplification there would be beneficial. However, for example with re-mortgaging firms should be able to engage in such as way as to understand the reasons behind this may highlight changing consumer circumstances or complex needs that would benefit from advice.

Q7: Do you agree that we should give guidance to clarify that MCOB 4.8A.5R does not prevent a firm marketing their execution-only channel or pricing advised and execution-only sales differently?

No comment.

Q8: Do you agree that we should change the process for using the internal rate switch exception, so the list need only be re-sent if new products are added or interest rates or fees change in a way likely to be material to the customer's decision?

No comment.

Q9: Do you agree that in cases where the customer approaches their existing lender to ask whether they can match an offer from a competitor, the firm need only present the relevant product to use the internal switch exception?

The proposal as presented seems clear and to support a good outcome for the consumer.

Q10: Do you agree that we should allow the execution-only disclosure to be given and recorded by audio or video?

Whilst we are not opposed to the innovative use of technology to improve the process for consumers, ID authentication could prove an issue with, specifically audio only.

Q11: Do you agree that we should allow the disclosure and positive election to be in separate documents or recordings?

No comment.

Q12: Do you agree that we should require advisers, if they do not recommend the cheapest suitable mortgage, to explain why they have not recommended a cheaper mortgage?

Yes. However, it may be sensible to provide case studies clarifying the respective responsibilities in such situations to avoid unfair challenge. It is easy to envisage a situation where the consumer finds a mortgage which on the face of it seems cheaper, but once additional costs are added may not be. In such a scenario, is it down to the adviser to figure out what the total cost might be?

Q13: Do you agree that we should make these minor amendments?

Yes.

Q14: Do you agree with our initial assessments of the impacts of our proposals on the protected groups? Are there any others we should consider?

No comment.

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Annex 1

Chartered Banker Institute: Overview

THE ONLY INSTITUTE TO AWARD CHARTERED BANKER STATUS

WORKING WITH MORE THAN 100 BANKS WORLDWIDE

1 CODE OF PROFESSIONAL CONDUCT FOR ALL MEMBERS

ONLINE CPD RESOURCES ON OVER 60 TOPICS FROM LEADERSHIP TO CUSTOMER SERVICE

MEMBERS FROM 87 COUNTRIES ACROSS 6 CONTINENTS

OVER 32,000 MEMBERS

SUPPORTED 177,589 BANKERS TO ACHIEVE THE FOUNDATION STANDARD GLOBALLY

82% WOULD RECOMMEND THE COMPLETION OF A QUALIFICATION TO OTHERS

THE FUTURE OF BANKING

4 ACCELERATED ROUTES TO CHARTERED STATUS FOR SENIOR/EXPERIENCED BANKERS

14 UNIVERSITY PARTNERS DELIVERING ACCREDITED QUALIFICATIONS

OVER 500 CPD RESOURCES FOR MEMBERS ON ETHICS, CULTURE AND CONDUCT

UK WIDE NETWORKING EVENTS AVAILABLE TO MEMBERS

Institute Background

1. The Chartered Banker Institute is the world's oldest and largest professional body for bankers in the UK, with 33,000 members. Founded in 1875 and established by Royal Charter, our aim is to enhance and sustain professionalism in banking that successful and sustainable banking is built on.
2. In 2011, we established the Chartered Banker Professional Standards Board (CB: PSB), in collaboration with industry, to develop and embed professional standards for bankers. The CB:PSB was the first collective response to raising professional standards after the Financial Crisis in 2008, and that it in many ways pre-empted the focus on these issues from 2012 onwards. Over 163,000 individual bankers, achieved the Foundation Standard in 2018.
3. Our work also supports the work of regulators and banks to enhance and sustain a culture of customer-focused, ethical professionalism in banking. We are committed to promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas and offer professional membership to qualified bankers. We are the only professional body in the world able to confer the status of Chartered Banker to suitably qualified individuals.
4. As evidence of our growing influence with regulators and policy makers, in 2018 the Institute's CEO Simon Thompson was invited to join HM Treasury's Financial Services Skills Taskforce. And in 2019, the Institute has been invited to support the FCA's Roundtable programme investigating

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purpose in the financial services sector. Our CEO has been asked to Chair a Working Group into the “purpose of retail banking”, which will report back to the main grouping in late 2019.

5. We support numerous routes in helping individuals achieve professional qualifications and professional membership to ensure bankers at each stage of their career, develop and sustain the skills and knowledge required of a modern, reflective practitioner. Our professional qualifications are recognised globally, and we provide approved regulatory qualifications. We also work with others, including many major banks, to accredit internal training and development programmes aligned to the Institute's professional and qualifications standards.
6. Internationally, the Institute's impact and influence is growing, with partnerships with professional bodies in Australia, the Bahamas, Hong Kong, India, Ireland, Malaysia, Malta, New Zealand and Pakistan. We are now proud to have both student and professionally qualified members in 87 countries across the globe, all of whom share a commitment to the Chartered Banker Code of Professional Conduct.
7. In 2017, we formed the Chartered Body Alliance (ourselves along with the Chartered Institute for Securities and Investments (CISI) and the Chartered Insurance Institute (CII), with a joint membership of almost 200,000, representing an important development in the re-professionalisation of individuals working across all financial services. The purpose of this Alliance is for the member bodies to work together to promote increased professionalism in financial services, for the public good, and to provide a united voice on standards for financial services.
8. In 1989, the Institute established the *Young Banker of the Year* competition, and this continues to be the highlight of the Institute's annual event calendar. The competition seeks to highlight the contribution of one individual with the potential to lead positive, customer-focused change, as judged by a distinguished panel of industry figures, chaired by the Lord Mayor of London, and plays an important role in promoting a revitalised banking profession by recognising the qualities of young bankers, who through their ideas and actions can help to improve the reputation of the industry.
9. The Institute takes its role in supporting the transition to a more sustainable and socially just world very seriously, and in 2019 was very proud to become one of the UK's first supporters of the UNEP FI's Principles for Responsible Banking [PRB].
10. See www.charteredbanker.com for more information on the Institute and its activities.

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