

## **Loan Distributor Article – November 2007**

### **How do you believe the industry has progressed since June in Jerez?**

It is hard to believe that it is only a few short months since many of the “leaders” in secured loans congregated to debate the future. The world looked a positive and rosy place at that time with all the challenges being around the impact of the Consumer Credit Act 2006, managing in some changes to Payment Protection Insurance and developing new business partnerships.

As the delegates arrived home from Jerez, there were lots of positive discussions about new partnerships, with the industry working more closely together. There was talk of great developments as lead generators, brokers, insurers, lenders, valuers, sourcing technology, and related businesses such as commercial finance, bridging finance and debt management saw benefits in forging new deals.

It just goes to show that “Life is what happens when you are busy making other plans.”

Since the rainy days of July, we have seen a credit crunch and loss of lending market liquidity that makes the search on foot for an oasis in the Gobi desert seem like a cake-walk. This has caused some lenders to disappear, some restrict their broker panels and certainly most tighten up their criteria. The FSA has indicated their concerns on firms that are only offering single premium PPI. FOS continues to look critically at sales of PPI. The OFT are looking to introduce some draconian views on irresponsible lending. We have brokers that are now staring down the barrel of reducing their costs, as whilst there are customers out there, finding a lender with both money to lend and the appetite to take risk at historic levels are hard to come by.

With apologies to John Lennon I will pinch a second quote from him – “the more I see, the less I know for sure.”

I thought that I was beginning to understand this industry. What has concerned me most in the current business cycle is my perception of the loss of the “partnership” that was engendered in Jerez. As an industry I fear that we have re-trenched to our own positions. Rather than being an industry, lenders see the need to look after themselves first and brokers are reacting in a similar way. Brokers appear intimidated by and are waiting for lenders to tell them what to do. This means all the other parties who depend on those two principals are caught in the cross-fire.

This is a time for “industry” solutions as together we are stronger in being able to find solutions that work for all. Brokers need to stand up and be clear about what their needs are and must be equal partners in this relationship as this is an industry founded on brokers and lenders who both need to prosper for the

other to survive. Unless lenders really want to set up their own full-scale sales forces they need to protect brokers through these times. Brokers must be realistic in the margins they need to survive till better times are here again.

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