

The new age of secured

Mortgage Expo in London once again demonstrated the growth in stature and professionalism of a number of firms operating in the secured loans arena. Secured loan firms were bristling with new technology, keen to develop relationships and working hard to develop new opportunities and channels. There was a healthy competitive “camaraderie” and clear signs of a healthy optimism that whilst times were tough, there was still business to be done.

I should be happy then and we can all go off into the New Year reassured. Why then is there this deep unease in my bones about our industry. I am worried that brokers are still sleepwalking into 2008, unaware of all the change about to confront them.

- The PPI review by the FSA means brokers will find it increasingly difficult to only offer single premium PPI, priced as it is now, and sold as part of the same conversation as the loan.
- The changes to the CCA 2006 which are implemented in April mean that early redemption penalties on large loans will be severely curtailed. This will have an impact on lenders income, therefore they will be looking at how they can remain profitable.
- PPI complaints continue to flow and firms will need to address these as it is looking more likely that FOS are not minded to show much sympathy in dealing with single premium sales. It is proving difficult to demonstrate that the customer was adequately aware of the product and its cost to the satisfaction of FOS.
- Finally, firms holding FSA authorization need to have TCF management information in place by the end of March 2008, with TCF fully embedded in their business by the end of the year.

Without the distractions of the credit crunch there is much to do. Probably too much for the average broking business not experienced in absorbing swathes of regulatory change. So, many of you may be wondering why the AFB has adopted the stance it has on FISA, whilst all these other issues need dealing with.

This is because of the role that FISA plays in the process. It is the forum where lenders come together to discuss common issues, but it is not a trade body and cannot act as such. It is a regulatory and supervisory body, as proven by its formally asking the OFT for approval of its Code. Our industry is fully covered by FSA and OFT regulation and I struggle to see what value FISA adds with a supplementary code. However, without a properly constituted lender trade body, the only way the AFB can secure change is to try to negotiate with individual lenders. This is a tortuous task.

Accordingly, whilst brokers continue to support FISA it perpetuates an industry problem. Lenders continue to control development of the industry and brokers have no effective voice as you have no voting rights in that forum. Lenders have not formed a trade body as they continue to get what they want without it. Accordingly

continued membership perpetuates the problem and defers the solutions that will be required to move the separate parties in this industry onto an equal footing. This is required as the new regulatory regime puts the broker in the front-line, needing to be fully in control of their destiny, and not taking direction from lenders through 'hand-me-down' rules from FISA.

Brokers carry all the regulatory risk from the FSA, OFT and FOS. You should demand a proper lender trade body to negotiate issues to achieve fair outcomes and join the AFB to have a proper voice.

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