

Niche article for June 2007

We all await the post-Blair era, the new beginning for New Labour and the re-birth of cool Britannia. A new era in politics, with fears of the impending break up of the United Kingdom. What has this to do with secured loans I hear you exhale? What is he on about now?

The FSA is well on route to complete its third review of the sales practices surrounding PPI. This is the most comprehensive review so far and it is clear that the FSA expects previous issues to be resolved. The impending review of ICOB will bring greater and clearer disclosure around both single and regular premium PPI products. And the Competition Commission review could end the alliance of lump-sum PPI products being sold linked to a secured loan, distributed via the Lender.

Parallels in history??

What all this does mean is that the old ways will not be the new way. Let me explain what I think the new world of secured loans might look like:-

- Loans sold without a linked PPI contract.
- Brokers having to source an appropriate PPI product direct from Insurers.
- Brokers always demonstrably acting in the customer's interests.
- The requirements for non-advised disclosure increasing to an extent that it might well be easier to advise on PPI than prove no advice was given or construed.
- Reducing commissions from Lenders leading to increasing brokers fees.

And in the medium term, there is the possibility of:-

- Secured loans coming under the FSA and being regulated in line with first charges.
- Clarity around who is responsible for the components of advice.
- Fewer, larger, direct to consumer brokers and fewer, larger, master brokers who will all have technology based sourcing systems that support decisions and deliver compliant paperwork.
- Fewer Lenders prepared to operate in a more regulated sub-prime market.
- Greater pressure to see advertising and financial promotions meet both the spirit and letter of the rules.
- Moves to control lead generation companies and ensure their activities are consistent with a compliant industry.

Like post-Blair Britain, secured loans needs direction. The AFB is here to help brokers find their way and set the agenda best for them. Brokers and Lenders need to start to plan to meet these changes. Adopt new strategies for their businesses to ensure they survive this transition. Adapt their policies and procedures to ensure that customers are well informed and understand. Improve their products to ensure that they are fit for purpose and do what they are meant to do for the customers to whom they are sold.

The AFB will be here to listen to brokers and establish what type of business they want, and together establish a business model that works for all.