



**The Association of Finance Brokers response to:  
OFT – Irresponsible Lending – A Scoping Paper**

**1. Introduction**

AFB is the trade association that represents intermediaries operating in the secured loan (second charge mortgages over residential properties) industry. AFB represents brokers who are responsible for approximately 75% by volume and value of secured loans. Membership of AFB is voluntary and on a corporate or individual basis.

All secured loan brokers are regulated under the Consumer Credit Act 1974 as amended, with the majority also holding FSA authorisation as insurance intermediaries.

AFB would be keen to engage with the Irresponsible Lending project both offering member views and as a trade organisation.

**Q1. Do you agree with the OFT initial view that the scope should cover all stages of a lending transaction?**

We agree with the project adopting a wider scope, which should include all stages of the lending transaction, ensuring that all issues potentially involved with irresponsible lending can be considered. We assume that in adopting this wider scope, OFT would seek to consider a wider view, but that this would not necessarily lead to wider application of guidance. This merely provides an opportunity to clearly scope and appropriately address those areas where guidance is suitable. By moving to a more defined and limited scope there is danger that this could lead to focus being applied disproportionately to specific areas, or that the consultation could lack the required breadth of the lending transaction posing a risk of unintended consequences.

**Q2. Are there any other factors which you think should be included within the scope of the project?**

The project may also wish to address the consumer's responsibilities in not to asking to borrow irresponsible amounts and to provide complete and accurate information as requested. Intermediaries have to rely to some extent upon the information provided to them by consumers. The ability to trust this information along with the client's obligation to borrow within their means should therefore also be included within the scope. This would also tie into FSA's upcoming work on Consumer Responsibilities.

The project may also wish to consider an intermediaries ability to obtain credit reference information for potential borrowers. With many companies removing the use of data supplied by Credit Reference Agencies (CRAs) for intermediaries, clients may be at risk

from multiple footprints being left on their credit file from firms unable to find out all the information they require from one source.

Additionally where a cost is borne on the adviser to obtain credit referencing, this cost may either be fundamentally passed onto the client or a lack of tangible credit information obtained to be able to accurately source the client an appropriate deal.

**Q3. Are there any other factors which you think should not be included within the scope of the project?**

No comment

**Q4. Do you have any other comments or suggestions on the scope of the project?**

We remain concerned that this piece of legislation covers a very wide range of lending activities, and it may be that the work will have to cover the range of sectors to allow effective controls to be applied. The issues for a pawnbroker are very different from those providing the consumer with a third credit card or those consolidating debt.

**Q5. Do you agree with or have any comments or suggestions relating to the proposed methodology?**

No comment

AFB  
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