



Response to the review of the Consumer Credit Act changes introduced in 2004

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI). AMI is the trade association representing over 75% of UK mortgage intermediaries. Over 60% of mortgage transactions in the UK are originated by the mortgage intermediary community. In addition to first charge mortgages, many mortgage intermediaries also provide access to other credit products, such as buy-to-let mortgages, second charge mortgage loans and unsecured personal loans. Almost all of our members are both authorised by the FSA, and licensed by the Office of Fair Trading for their consumer credit activities.

Our members act on behalf of the consumer in selecting an appropriate lender and product to meet the individual consumer's requirements, and provide access to associated protection products such as payment protection insurance and life insurance. For many consumers, arranging a mortgage loan can be a daunting process, particularly as their home could be at risk in the event of financial difficulty. For this reason, consumers greatly value the services of a professional intermediary who is independent of the lender, and rely upon their knowledge and experience when arranging mortgage credit.

We welcome the opportunity to comment on the consumer credit regulations introduced in 2004. This response focuses on the Advertisement Regulations 2004 as it is these regulations which have directly impacted on our members as mortgage intermediaries.

We supported the government's objective to introduce greater consistency and transparency in credit advertising, as set out in the Consumer Credit White Paper. However, we do have concerns over whether the Advertising Regulations have actually delivered these objectives to consumers, and the impact which the changes have had on business who advertise consumer credit.

For consumers to make informed decisions, they must be provided with clear, accurate information on credit products. Advertising has a fundamental role to play in providing information to consumers at the earliest stage of the buying process. We are concerned about the inconsistencies between the CCA advertising requirements and the FSA conduct of business rules relating to financial promotions for qualifying credit.

Our members provide access to both first and second charge mortgages, often advising the consumer on a suitable credit product to meet their individual needs and circumstances. To our knowledge, all lenders who are authorised by the FSA for first-charge business, and are also active in the second-charge mortgage market, have set up separate legal entities for the sale of second-charge mortgages. Therefore, credit advertisements for their second-charge products will be regulated under the CCA regime. Credit intermediaries will generally advertise both qualifying and non-qualifying credit together. The inconsistencies between the FSA and OFT requirements make it

difficult for firms to deliver clear and transparent information to consumers through credit advertisements, and increase compliance costs for firms.

We welcome the steps already taken by both FSA and OFT through the joint action plan to address some of the issues which exist in this respect. In particular, we are pleased to see the implementation of the changes introduced following FSA's quarterly consultation paper in April 2006. Whilst these changes have addressed a small number of inconsistencies, many more remain. The joint FSA/OFT guidance on dually regulated advertisements acknowledges this, and the attached appendix lists the specific issues. We would be pleased to work with both OFT and FSA to find ways of delivering a simple, consistent and transparent credit advertising regime which is effective for consumers and businesses.

The concerns we have outlined above also raise the wider issue of the UK's divided approach to financial promotions for credit secured on land, and the effects of this approach on both consumers and businesses. The possible adoption of the Consumer Credit Directive in the EU will further crystallise this issue and we would welcome a meeting to discuss this further with DTI, OFT and FSA.