

Association of Mortgage Intermediaries

Response to the FSA consultation paper 07/03 Regulatory fees and levies 2007/08 (28 February questions)

This response is submitted by the Association of Mortgage Intermediaries (AMI). AMI is the trade association for UK mortgage intermediaries. It represents over 70% of mortgage intermediaries in the UK. In the UK, intermediaries are the dominant distribution channel for mortgages: over 60% of all new mortgage transactions are arranged by intermediaries.

Chapter 3 General policy subjects

Q1: We have no objections to the proposal as it should lower the administration costs of running the respective schemes. However, we believe that this change needs to be properly publicised.

Q2: As a cost-saving measure we are supportive of this move. However, firms need to be made aware of this rule change in an effective manner. We propose that each firm's invoice should carry a clear warning that they are no longer being offered a free credit facility and that they must settle their account immediately to avoid having to pay interest.

Q3: We are pleased to note the reduction in processing times and the overall increase in efficiency. Whilst the proposal to apportion costs at a 'representative' level is rational, we would want to see the same level of transparency as the current system. If adopted, it will be important that the basis for apportionment is open to scrutiny and we would therefore expect the annual fees and budget statement to contain detailed information about how this has been arrived at.

Chapter 4 Changes to our financial penalty schemes

Q4: We agree with this proposal. As well as the example stated in the CP, we believe that there are several arguments in favour of a wider distribution of financial penalties in excess of enforcement costs between different fee blocks:

- It can be quite difficult and could be a cost-intensive process to allocate a penalty to all fee groups that have been affected directly or indirectly, by a financial penalty. For example, a bank could incur a fine for manufacturing and selling PPI in association with its lending activity. This does not only directly affect the fee blocks relevant to the banks activities but also, there are indirect consequences on other fee-blocks through the reputational damage incurred. In this example poor practice relating to PPI sold alongside a personal loan impacts on the reputation of appropriate PPI sold alongside a mortgage;
- The behaviour by one part of a large company e.g. a composite insurer, which led to the fine, could have profited other parts of the business too and the firm as a whole should not benefit from the reallocation of the fine as under the current system;

- Fines, especially very large ones related to major failings affect consumer's trust in the whole of the financial services market and not just the section that the affected firm is active in.

Q5: Yes we agree with this proposal. It seems inequitable for a firm to receive a discount of its fees as a reward for its own wrong-doing.

Chapter 5 Regulatory reporting of fee tariff data
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Q6: This does not affect our members who already report all their financial information via an electronic RMAR.

Chapter 6, 7 & 8 are not applicable to our members

Chapter 15 FSCS management expenses levy limit 2007/08

Q20: We are naturally disappointed to see a further increase in the FSCS management expenses but acknowledge, and are pleased to see that both turnaround times and the cost of processing claims have decreased.

We noticed that the highest increase relates to outsourcing costs. We are supportive of the use of outsourcing as it increases flexibility for the FSCS and is generally preferable to hiring more in-house staff. But it is important to review the balance to ensure cost-effective deployment of outsourcers.

We support the application of a reserve contingency and believe that it is an effective way of containing levies and avoiding additional costs and delays should further monies be required.

AMI

08 March 2007