



Working together

An industry guide to lender and intermediary accountabilities and responsibilities in mortgage sales and servicing

1 | Introduction

In producing this guide, our aim is that the relationships in which lenders and intermediaries are engaged deliver good customer outcomes. Some individual lenders and intermediary organisations have already developed individual frameworks for handling their relationships but there has been an absence of an industry wide view.

The guidance is jointly produced by the Association of Mortgage Intermediaries (AMI), the Intermediary Mortgage Lenders Association (IMLA) and the Council of Mortgage Lenders (CML). It sets out to define how good practice should look today but it is recognised that this guide will evolve over time.

This document aims to cover all types of customers, and apply equally to any business written under MCOB regulations. This document should be read in conjunction with the relevant MCOB and treating customers' fairly (TCF) rules. Where reference is made to customers, in all cases this refers to all customers in the transaction whether single or joint mortgage holders. While we recognise the customer has obligations in the successful purchase and servicing of their product, this is not within the scope of this document.

This document does not consider commercial relationships between lenders and intermediaries. These are the subject of

separate legal agreements between the parties reflecting their own circumstances. The guide does not apply retrospectively. In setting out to develop this guide AMI, IMLA and CML took the view that the relationship between lenders and intermediaries is based on a number of key premises:

- A shared commitment to work effectively together and in the best interests of the customer
- Responsibility for the quality of advice and the appropriateness of a recommendation in intermediary based sales lies with the intermediary
- Responsibility for ensuring the product performs as explained in its product and policy documentation lies with the lender.
- Ultimate accountability for the affordability of a mortgage lies with the lender, although the intermediary is responsible for establishing affordability to make sure that, when advice is given, a particular mortgage is appropriate and in accordance with the lender's published criteria, or for non-advised cases that a mortgage is not unsuitable
- Lenders lend responsibly in line with their responsible lending policies
- Lenders and intermediaries can agree their own contractual relationships, payment mechanisms and service levels as long as these are in accordance with all legal and regulatory requirements, and align with the customers' interests

The guide outlines the activities undertaken in the different stages of product and customer lifecycle, and the accountabilities and responsibilities of both lender and intermediary with a view to ensuring effective working between the two parties and which will help ensure good outcomes for customers.

This guide is intended to cover relationships between lenders and all types of intermediary, whether paid by fee or commission, and whether regulated directly or as appointed representatives of a network, including:

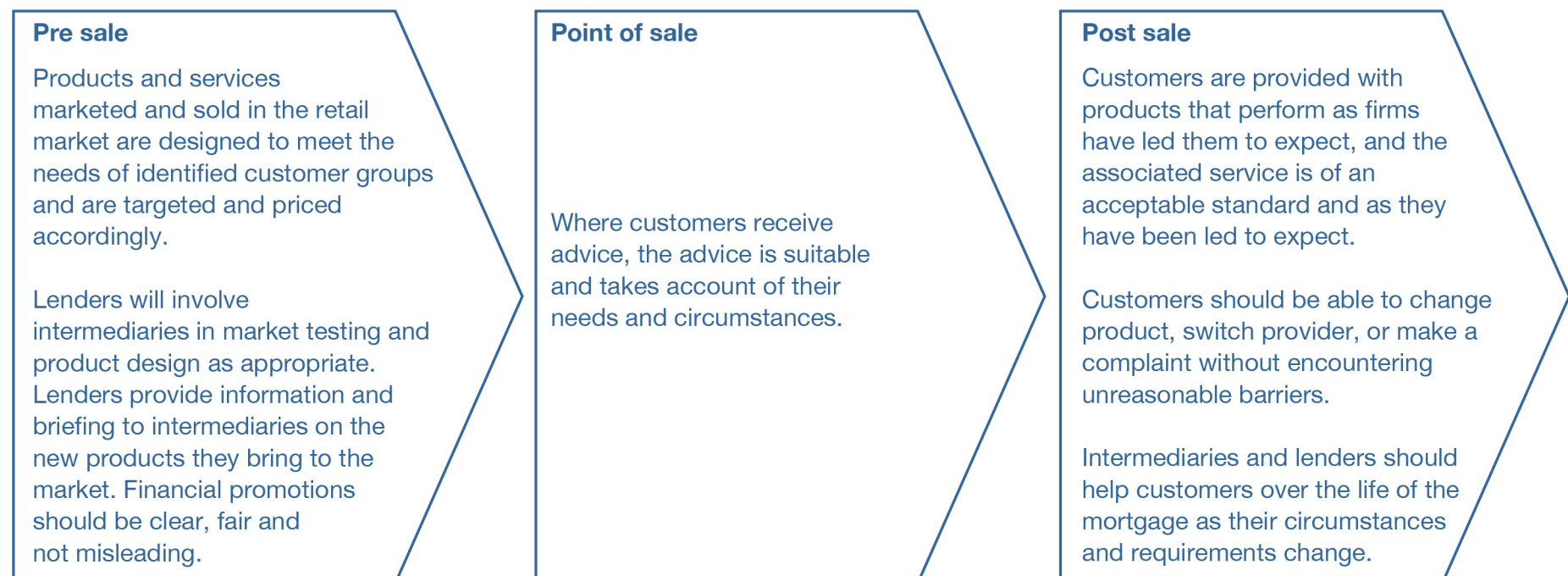
- IFAs (including generalists and specialist advisers)
- Whole of market financial advisers
- Multi-tied and single tied advisers

For simplicity the term 'intermediary' is used throughout this document when, in practice, the responsibility can lie with a firm, network, appointed representative or individual adviser. While many of the responsibilities are applicable to non-advised sales and direct sales by lenders, these are not specifically included in the scope of this paper.

2 | Product and customer lifecycle

Lenders and intermediaries both recognise the importance of working with their customers' interests in mind, at each stage of the product and customer lifecycle, and to work in partnership throughout to work toward good customer outcomes. In developing this guide we have sought to ensure we cover off overarching PRIN principles and MCOB rules throughout the guide and as captured by the diagram below:

Customers can be confident that they are dealing with firms where the fair treatment of customers is central to the culture of the business. Customers are provided with clear information and are kept appropriately informed before, during and after the point of sale.



In drawing up the specific responsibilities for each stage of the product and customer lifecycle, the aim is to ensure both lenders and intermediaries are able to consider each other's involvement in each stage and through that produce good outcomes for customers. The overarching responsibilities of the respective parties are:

Lenders	Intermediaries
Assess suitability across target markets	Work with individual customers or small groups
Develop the product/ service proposition and the production of marketing literature and advertising	Focus on the acquisition of customers, creating and maintaining customer relationship, and advising on product suitability
Monitor general trends in sales	Take primary responsibility for monitoring individual sales for appropriateness
Administer the product	Initial processing of product sale
Generate regular statements (at least annually) for consumers	Service and consider ongoing borrowing requirements and alternative needs
Offer a proactive and reactive service contact as appropriate	
Deal with customer queries, claims and complaints	Deal with customer queries, claims and complaints

3 | Pre-sale

This section focuses on pre-sale. It is thus focused on responsibilities to the target market (i.e. types of customer the product is likely to be appropriate for) of customers rather than individuals. In addition to general adherence to the Principles and MCOB rules, regulated firms also consider a second TCF outcome; that products and services marketed and sold in the retail market and designed to meet the needs of identified customer groups are targeted appropriately.

	Responsibilities of lenders in relation to intermediaries and customers	Responsibilities of intermediaries in relation to lenders and customers
A. Understand customer needs in target market	Understand the financial needs and financial capability of target customer groups, using feedback from sales monitoring, intermediaries and customer research	Undertake marketing and lead generation activities with full recognition of the target market for each of the lender's products and services offered
B. Develop products and services	<p>Identify the particular customer groups for which they are likely to be suitable (including via use of feedback from sales monitoring) and those groups that would/ should be excluded</p> <p>Stress-test the product or service to identify how it might perform in a range of market environments and how the customer could be affected.</p> <p>Consider whether to enlist intermediaries to support more general risk testing</p>	<p>Give feedback to lenders if products seem unsuitable for customer groups suggested by the lender</p> <p>Where appropriate, identify gaps in the market and feed back to lenders and participate in product design discussions</p>

	<p>Have in place systems and controls (such as those in SYSC) to manage the risks posed by product or service design</p> <p>Consider the appropriate means of distribution, eg advisory, intermediary, direct offer or both, based on the characteristics of both the products and the target customer group</p>	
<p>C.</p> <p>Develop pre-sale product literature</p>	<p>From a customer perspective , lenders should ensure that:</p> <ul style="list-style-type: none"> - Information intended for customers must take account of the financial capability levels of its target market - Take account of what information the customer needs to understand the product or service <p>Produce pre-sale product literature that is fair, clear and not misleading to both intermediaries and customers</p> <p>Have in place systems and controls to manage the risks posed by providing information to customers</p> <p>Provide intermediaries with sufficient and appropriate information and training for their own use and to enable them to be able to give suitable advice (where advice is given).</p>	<p>Consider whether it understands the information provided by the lender</p> <p>Deliver effective training and clear information to all customer-facing staff and their managers, to ensure they understand, at an appropriate level, each product and service offered to customers, its features and its risks to customers and where necessary provide feedback to lender. Where required, ask the lender to provide additional explanation, training or material</p> <p>Not to distribute a product or service without sufficient understanding, especially if it intends to provide advice</p>

	<p>Where information is aimed at intermediaries and is not intended for customers, this should be made clear</p> <p>Test key literature on customers and intermediaries</p>	<p>Intermediaries producing their own customer information should:</p> <ul style="list-style-type: none"> - Pay regard to the financial capability levels of its target market - Take account of what information the customer needs to understand the product or service - Must produce pre-sale product literature that is fair, clear and not misleading <p>Where information is provided to another distributor (such as a packager) the intermediary should consider what information the distributor requires, how it will use the information. For example, whether it will be given to customers and the likely level of knowledge and understanding the distributor will have (and how the information should best be transferred)</p>
<p>D.</p> <p>Produce advertising and promotion</p>	<p>Produce marketing and promotional materials, as well as technical material and training for advisers, that are fair, clear, balanced and compliant which help the intermediary provide information and advice that explains the product and its performance and risk characteristics to customers</p> <p>Ensure advertising and promotions for each product are aligned with their target market</p>	<p>Act with due skill, care and diligence when passing on a promotion created by a lender. Ensure information provided to customers is clear, fair and not misleading. When communicating a promotion produced by another person, providing the firm takes reasonable care to establish that another firm has confirmed compliance with the relevant detailed rules, it will comply with the financial promotion rules.</p>

	<p>Ensure lender actions (such as presentations to advisers) are consistent with the nature of the product and the target market for which it was designed</p>	<p>Promote products and services to customer groups for whom they are most likely to be suitable (“promote” in this context means general advertising, promotion and lead generation and does not equate to advice)</p> <p>Have in place systems and controls to manage the risks posed by financial promotions.</p>
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4 | Point of sale

This section is focused on point of sale activities. Lenders and intermediaries should consider the remuneration policies in place and have controls to ensure that these deliver good customer outcomes rather than focus purely volumes of business. Aside from the business to business accountabilities and responsibilities, and the PRIN/MCOB rules we would also emphasise the fourth and fifth TCF outcomes, for example:

- Where customers receive advice, the advice is suitable and takes account of their circumstances
- And customers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect

	Responsibilities of lenders to intermediaries and customers	Responsibilities of intermediaries to lenders and customers
A. Agree customer relationships	<p>Should decide whether a particular product is one where customers would be wise to seek advice</p> <p>Inform intermediaries of the basis and terms for ongoing contact with customers. Provide a description of the information customers will/will not receive. The detail of this is a matter for individual contracts.</p>	<p>Agree with each customer the level and type of service that will be offered (advice or information only), including status of intermediary, range of products covered and payment options. This should be in the format of an initial disclosure document (IDD)</p> <p>Agree with each customer the nature and extent of ongoing service (if any) from the intermediary after the point of sale (including post sale service they can expect from the lender)</p>

<p>B.</p> <p>Know your customer</p>	<p>Undertake necessary checks to confirm the identity of the customer, ensuring compliance with Money Laundering Regulation 2007 and Joint Money Laundering Steering Group guidance</p> <p>This activity will also include anti-fraud checks on processes</p>	<p>Identify the financial needs and objectives of each customer, taking into account the customer's general financial awareness and attitude to risk. Gauge the understanding of financial issues in general and of risk in particular</p> <p>Obtain relevant information from the customer to assess the appropriateness of the product offered</p> <p>Where the intermediary undertakes checks to confirm the identity of the customer and provides certified copy documentation to the lender, the intermediary will ensure compliance with the Joint Money Laundering Steering Committee guidance</p> <p>Consider the nature of the products or services offered by the lender and their appropriateness to the customer's needs, financial capacity and risk appetite</p>
<p>C.</p> <p>Deliver product recommendation</p>		<p>From the range offered, select and recommend an appropriate product based on knowledge of the customer. The recommendation must reflect the customer's needs, priorities and circumstances, taking into account the affordability of the product. Sufficient evidence must be recorded to show how that product meets the customer's needs and circumstances</p>

		<p>Consider what impact the selection of a specific lender could have on the customer in terms of charges, 'go to'/ reversion rates, or possibly, where information is available to the intermediary, how efficiently and reliably the lender deals with the intermediary or customer at the point of sale (or subsequently, such as when queries/complaints arise or when the customer redeems the mortgage)</p> <p>Ensure commission and other incentives do not encourage marketing or selling products to customers for whom they may not be appropriate</p>
<p>D.</p> <p>Provide customer documentation</p>	<p>Provide information destined for the customer which is fair, clear, balanced and not misleading. This should be in the format of a key facts illustration (KFI)</p> <p>Take reasonable steps to ensure that the KFI is clear, fair, not misleading and accurate.</p>	<p>Consider when passing on lender materials to customers whether the information is understandable and complete</p> <p>Assist the customer to complete applications and gather supporting documentation, including evidence of income as requested by the lender</p> <p>Ensure that the customer's consent is obtained before submitting the application, including any formal declaration required by the lender</p> <p>Review applications for completeness and ask customer to verify for accuracy before submitting to the lender</p>

		<p>Check whether the mortgage application information matches the information collected in the fact find</p> <p>Ensure customer is aware of their disclosure responsibilities and the potential consequences if they do not disclose all information correctly</p> <p>Where the intermediary provides the KFI it should include the items listed in the 'lender' column</p> <p>Provide adequate opportunity for customers to ask questions</p>
<p>E.</p> <p>New business processing</p>	<p>State the information that is required to process an application and when additional information may be required, how this will be sought, and any costs</p> <p>Process completed applications promptly and tell the intermediary and customer of any additional information required, errors in the application or of any delays</p>	<p>Help facilitate quick underwriting, including if necessary, collecting outstanding information or confirming the information supplied</p>

<p>F.</p> <p>Post sale analysis</p>	<p>Review the practical relationship with the intermediary against the agreed terms of engagement. This includes:</p> <ul style="list-style-type: none"> - Collecting and analysing appropriate MI so the lender can analyse the sales made - Checking to ensure that the target market and distribution was as anticipated - Assessing the performance of the distribution channel(s) - Using this information in future product design (this does not extend to assessing suitability of individual cases) <p>Taking action if it has concerns regarding a particular intermediary, for example, ceasing to use a particular intermediary channel</p> <p>If the lender chooses to remove a particular intermediary because of suspicion of, or proven involvement in fraudulent activity then lender should report the intermediary to FSA via the information from Lenders scheme</p>	<p>Conduct periodic checks, proportionate to the business, using MI to be satisfied that product sales are suitable and that agreed service commitments are being met</p> <p>Where the intermediary carries out ongoing monitoring of lenders and identifies poor customer treatment they may consider removing them from their panels</p>
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5 | Post-sale

This section covers responsibilities for ongoing service and support after the point of sale. In addition to general principles and rules, regulated firms also reminded of the sixth outcome of treating customers fairly: customers do not face unreasonable post-sale barriers imposed by firms to change product, switch lender, submit a claim or make a complaint.

	Responsibilities of lenders to intermediaries and customers	Responsibilities of intermediaries to lenders and customers
A. Provide ongoing information and service	<p>Provide customers with regular, accurate, timely, and understandable information (at least annually)</p> <p>Periodically review products to ensure products are performing as expected. If not, consider what action to take such as whether or how to inform the customer of this, their option to seek advice and whether to cease selling the product</p> <p>Communicate contractual 'breakpoints' (such as the end of a long tie-in period) that could have a material impact on the customer and that the customer cannot reasonably be expected to know about or recall</p>	<p>Comply with any contractual obligation to the customer, e.g. ongoing advice or periodic reviews</p> <p>Communicate contractual breakpoints that the customer cannot be expected to know about or recall</p> <p>Maintain contact and provide ongoing service to each customer as agreed at the outset</p> <p>Pass on any communications from the customer intended for the lender in a timely and accurate way</p>

<p>B.</p> <p>Query resolution</p>	<p>Respond to requests from the customer or their intermediary appropriately, promptly and accurately, and explain any delays. If a query indicates the need for advice, recommend to the customer that they approach their intermediary</p> <p>Deal promptly and accurately with administration related queries and complaints raised by customers or the intermediary acting on their behalf</p>	<p>Respond to customers' queries promptly and accurately, providing they are in the intermediary's remit and act on their behalf in their dealings with lenders concerning administrative queries or complaints. Explain any delays</p>
<p>C.</p> <p>Handling complaints</p>	<p>Establish, implement and maintain effective and transparent customer complaint-handling systems</p> <p>Where a customer's complaint is against the lender, the lender should keep the customer informed and deal with the complaint promptly, accurately and fairly</p> <p>Where a customer's complaint is against the intermediary, the lender should assist the customer by redirecting them, as appropriate, to the intermediary. The lender should provide any information to assist in the investigation</p>	<p>Establish, implement and maintain effective and transparent customer complaint-handling systems</p> <p>Deal with advice related complaints raised by customers promptly, accurately and fairly and keep the customer informed</p>
<p>D.</p> <p>Mortgage redemption</p>	<p>Act fairly and promptly if/when a customer wishes to redeem their mortgage. Keeping the customer and/or the intermediary informed of progress and explain any delays.</p>	<p>Help facilitate the redemption by providing assistance to customers in contacting the lender if required.</p>

<p>E.</p> <p>Mortgage arrears and possessions</p>	<p>Possession is a last resort. Lenders must make reasonable efforts to contact customers in arrears and discuss forbearance options. Lenders should discuss appropriate options with customers based on their individual circumstances</p>	<p>Where contacted by the customer, consider appropriate available options, which could include:</p> <ul style="list-style-type: none">- Speaking to current lender- Considering alternative financing options- Government and local authority schemes- Referring to debt counselling/adjusting specialist
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6 | Monitoring and managing the relationship to work toward good outcomes for customers

In support of these responsibilities and to establish and maintain an effective relationship through which a good service is provided to customers, each party (i.e. lenders and intermediaries) may wish to consider:

1. The other party's approach to ensuring good outcomes for customers
2. Service Level Agreements for key processes
3. What management information may be shared to assist each party monitor its own effectiveness in serving customers and the quality of the relationship
4. How issues or problems identified by one party about the other, which affect delivery to customers, will be notified and escalated
5. Agreeing what the contact with clients will be on cross selling rights and future business
6. That it is the intention of both parties to make best efforts to achieve good customer outcomes
7. The value of sharing information on performance and arrears with each other

7 | How AMI, IMLA and CML members might use this document

Some companies may wish to read this document, undertake a gap analysis at this stage, and consider whether they need to take any action. The principle purpose of this document is to gain agreement on how providers and advisers can work together to achieve better customer experiences, and to draw clearly defined responsibilities.

8 | Updating and revising the guidance document

The guidance document will be subject to review and, where applicable, will be amended in line with changes in the regulation of the mortgage industry. Any such changes will be subject to consultation with AMI, IMLA and CML.



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