Mortgage Brokers - FCA Guidance on TCF Good & Poor Practices

Consumer Outcome 1

Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Senior management and staff consider the fair treatment of customers in all that they do. Everyone is encouraged to get involved, challenge decisions and suggest improvements where appropriate.

Examples of good practice include:

- Regularly analysing what is going on, where any practices can be improved are and taking action when necessary.
- Recording decisions and acting on them when required.
- Remember treating customers fairly is your responsibility – you can't delegate responsibility to your compliance consultant
- If you are using a compliance consultant don't simply follow their basic consultancy template, make sure the advice you are getting addresses the issues in your business.
- Using language your customer understands – avoiding the use of technical jargon.
- Investigating problems identified by your staff and taking action to put them right.
- Using your new business register to gather management information and if this identifies any issues take action to address them.
- Holding regular staff meetings so that everyone is up to date with what is going on in the firm.
- Having a training and competence scheme in place for all relevant staff.

Additional points for sole traders:

- Undertaking a comprehensive review of your business at least annually.
- Remember that you need to maintain management information and document what is going on in your business – don't keep everything 'in your head'.
- Reviewing your sales practices and making changes where appropriate.
- Keeping up to date with regulatory requirements and ensuring that your technical skills are adequate and relevant for the business you are undertaking.
- Consider having a confidentiality arrangement with your locum whereby you review each others files and/or complaints and give each other objective feedback.
- Joining a local networking group to help you benchmark yourself against your peers and get a fresh perspective on the way you work and the business decisions you make.
- If you undertake you own file reviews, keeping a record to demonstrate that you are doing this.

Examples of poor practice:

- Not recording minutes of meetings.
- Lack of awareness of advisers giving inappropriate advice, despite consistent poor customer feedback.
- Failing to act on customer feedback.
- Not having a complaints procedure in place.
- Failing to recognize a complaint – e.g. it doesn't have to be in writing, it may be a verbal expression of dissatisfaction.
- Accepting copy documentation for money laundering requirements when you should have sight of the originals.
- Following the assessment criteria of a lender for self certification business rather than your own.
- Not capturing sufficient detail in your new business register.
- Failing to act on the management information you collect when it's telling you something important about your business e.g. too much of a certain type of 'higher risk' business being written by a particular adviser.

Additional points for sole traders:

- Not recognising that the information you collect in your day-to-day business is your management information, e.g. your new business register.
- Not having a locum arrangement in place.
- Not being able to explain what treating your customers fairly means to you.

Consumer Outcome 2

Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

The products and services you offer meet the needs of your customer

Examples of good practice include:

- Updating the fact find to collect all necessary information.
- Keeping a record of recommendations.
- Challenging customer information around affordability if figures don't seem plausible.
- Having clear definitions of attitude to risks so your customer can understand what each means and how they relate to them.
- Keeping a calendar of review or key date.

Examples of poor practice:

- Advisers making recommendations based on their own, rather then the customer's attitude to risk.
- Relying on industry colleagues to do market research.
- Failing to consider that remaining with a current lender may be the best advice for your customer.
- Not being clear about the basis of the advice you give and what decisions your customer is responsible for.
- Not having a good understanding of the product you are selling.

Consumer Outcome 3

Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale

You give your customers clear information about products and services before, during and after the sale

Examples of good practice include:

- Using jargon free communications that clearly set out what is being offered.
- Keeping your customer up to date on the progress of their application.
- Ensuring your customer understands the implications of adding fees or debt consolidation.
- Discussing the implications for your customer of interest rates variations or fluctuations.

Examples of poor practice:

- Leaving blank sections in a fact find document – so no complete record.
- Not informing customers of requests for further information from lenders.
- Not accurately recording the type of mortgage product recommended.
- Not explaining products and mortgage terms so that your customer has a full understanding.

Consumer Outcome 4

Where consumers receive advice, the advice is suitable and takes account of their circumstances.

The advice you give is suitable for the individual customer and takes account of their personal circumstances

Examples of good practice include:

- Updating your fact-find at each review and having a full audit trail of past discussions with the customer.
- Documenting your assessment of affordability discussions with your customer.
- Requiring staff to maintain up to date skills and knowledge e.g. regularly testing their knowledge and following up where there is a training need.
- Checking your files for the quality and suitability of the advice/information given, not just that your process has been followed.

- Ensuring each adviser has the skills to communicate clearly and effectively both verbally and in writing.
- Using mystery shopping exercises to test advisers and documenting results to be acted on as part of the adviser's future training.
- Requesting documents in advance of meeting your customer to get appropriate background information e.g. a detailed budget planner.
- Having a system in place to ensure reviews take place prior to the end of mortgage deals.

Examples of poor practice:

- Offering an advised service but letting the customer make decisions without discussing their attitude to risk.
- Advertising a whole of market service but not taking the time to adequately research the market place.
- Recommending an interest only mortgage but failing to document the affordability assessment or the method of repayment.
- Using standard paragraphs in documentation that don't apply to your individual customer.
- Giving limited advice without making it clear to your customer that the advice is limited.
- Making file notes of conversations with your customer without identifying the customer and/or including a date of the conversation.

<u>**Consumer Outcome 5**</u>

Consumers 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.

The products you sell perform in the way you have led your customer to expect

Examples of good practice include:

- Delivering what you have promised to the customer.
- Seeking customer feedback and acting on it.
- Ensuring customers are kept informed of product performance and opportunities to act when circumstances change.
- Having a system in place to ensure you deliver the service you have outlined to your customer.

Examples of poor practice:

- Failing to adequately research products/providers regularly to ensure the customer gets the best product/service.
- Recommending a product you don't fully understand.

<u>**Consumer Outcome 6**</u>

Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Your customer understands any restrictions on products, claims processes and is clear about your claims procedures.

Examples of good practice include:

- Being clear at the point of sale about what you can deliver including any restrictions on the product or in relation to the provider.
- Being clear about what the customer can or cannot claim for.
- Setting out your complaints process.
- Identifying and acting upon any trends coming out of complaints or customer surveys.
- Issuing a policy statement about how you ensure the fair treatment of your customers at or before the fact-find meeting.

Examples of poor practice:

- Failing to learn from past experience.
- Not using any existing or past complaints to identify changes you should make to current initiatives.