

ATEB consulting Newsletter 39 - July 2006

Ladies & Gentlemen

Please find enclosed the latest compliance and industry news.

As usual, site back and enjoy!

Kind Regards

ATEB Consultants

Which article applies to me?

Please use the following table to decide which article applies to you, if any:

Investment (IFA)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Directors/Partners	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓
Compliance / A&O Function	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓
Money Laundering Officer			✓							✓		✓								
Advisers & Trainees					✓			✓	✓	✓	✓	✓		✓						✓
T&C Supervisor	✓				✓			✓	✓	✓	✓	✓		✓						✓
Pensions Transfer Specialist										✓	✓	✓								
Back Office			✓							✓		✓								
*Mortgage (inc. IFAs)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Director/Partner		✓		✓	✓		✓	✓	✓	✓		✓	✓					✓	✓	✓
Compliance / A&O Function		✓		✓	✓		✓	✓	✓	✓		✓	✓					✓	✓	✓
Sales Advisor					✓			✓	✓	✓		✓								✓
T&C Supervisor					✓			✓	✓	✓		✓								✓
Back Office										✓		✓								
General Insurance	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Director/Partner		✓				✓	✓			✓		✓	✓					✓	✓	
Compliance / A&O Function		✓				✓	✓			✓		✓	✓					✓	✓	
Sales Advisor										✓		✓						✓		
T&C Supervisor						✓				✓		✓						✓		
Back Office						✓				✓		✓						✓		

*Includes Mortgage arms of IFA and APF firms

1. FSA releases groundbreaking "Quality of Advice" report

The FSA has studied the way advice is given by firms to customers and identified underlying factors that, in their opinion, lead to repeated episodes of mis-selling. Based on the results of this work, they have produced a report for principals of advisory firms to consider.

Although they found many examples of good practice, their work identified substantial failings in how advice on mainstream products is given in an unacceptable number of firms.

They intend carrying out further work specifically on firms' assessment of customer needs, on their communications to customers (suitability letters) and on their management information to monitor the quality of advice being given.

ATEB view:

Having read the report ask yourself;

- Does your organisation consist of a group of autonomous advisers, or
- Do you have pro-active supervised control and common adhered to processes?

You will see from the FSA report that the egg timer is ticking on the former

Action required by you:

This is a significant report that should be read by firm principals. Any gaps identified should be discussed with ATEB as part of the regular visit. Firm principals should check for gaps and organise a strategy to tackle any issues.

Quality of advice report:

<http://www.fsa.gov.uk/pages/Doing/Regulated/tcf/advice/index.shtml>

[Return to Features List](#) or [Contact Us](#)

2. March 2007 is the deadline for integrating 'treating customers fairly' policy

In the July 2005 report 'Treating customers fairly – building on progress' the FSA suggested that firms might be categorised into four groups when assessing progress on TCF, i.e. those that are:

1. aware of the initiative
2. involved in strategy and planning, including conducting a gap analysis
3. implementing change; and
4. embedding TCF into their business

The Financial Services Authority (FSA) has now given firms, which have failed to make satisfactory progress in integrating the 'Treating Customers Fairly' (TCF) principle into their business, **until March 2007** to demonstrate that they are taking the initiative seriously. The FSA's latest progress report, **'Treating Customers Fairly – towards fair outcomes for consumers'**, sets out two key findings.

- A mixed picture exists, with some firms making progress, but others lagging behind.
- While the senior management of most firms are showing a commitment to reviewing their practices and introducing changes where necessary, in many cases this has not yet fully reached the customer-facing front-line of those firms' activities.

The progress report also report sets out six desired outcomes for consumers which firms should be focused on achieving. The FSA will measure the success of these outcomes and will take action where necessary. The six desired outcomes will mean that consumers:

- are dealing with firms where the fair treatment of customers is a key part of the corporate culture;
- are sold products in the retail market which have been designed to meet the needs of identified consumer groups and are targeted accordingly;
- are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- are provided with suitable advice which takes account of their circumstances;
- are provided with the product performance they have been led to expect by firms with which they deal and the associated service is both of an acceptable standard and at a level which they have been led to expect; and
- do not face unreasonable post-sale barriers imposed by firms when they want to change product, switch provider, submit a claim or make a complaint.

To help firms understand how to implement TCF, the FSA has published further examples of good and poor practice on its website. The progress report also includes feedback on the FSA's TCF-related work on Investments, Mortgages and General Insurance.

ATEB view:

Firms will need to document hard evidence that TCF is progressing and be mindful of the March deadline.

Action required by you:

The following reports are a vital read for firm principals and can be found at:

'Towards fair outcomes for consumers' http://www.fsa.gov.uk/pubs/other/tcf_towards.pdf

General Insurance Report:

<http://www.fsa.gov.uk/Pages/Doing/Regulated/tcf/insurance/index.shtml>

Mortgages Report: <http://www.fsa.gov.uk/Pages/Doing/Regulated/tcf/mortgages/index.shtml>

[Return to Features List](#) or [Contact Us](#)

3. 'Risk based' money laundering – expect some confusion

The FSA expects firms to move to a risk based approach to money laundering post 31st August 2006.

I really dislike the word "risk based". In my opinion this translates to "it's not my responsibility, it's yours" or it could also mean "You might think you are doing it right, but you're not". Frustratingly, this phrase is now endemic within FSA regulation.

Anyway, the FSA have binned the ML sourcebook, and have replaced it with, a few 'high level' (That's another awful phrase!) rules in the systems and controls sourcebook (SYSC).

You've probably gathered by now that we are lacking in one area, in particular; "Detail". Well, this can be found, outwith the FSA, in the revised Joint Money Laundering Steering Group (JMLSG) guidance.

Some of the JMLSG guidance changes include:

- A new standard proforma - this replaces the current "intermediary certificate"
- There are new methods of gathering identity
- New terminology – "Nominated Officer"
- Categorisation of products into low, medium and high.

ATEB view:

Our message has to be; continue what you are doing now in terms of gathering evidence, do not be tempted to do less as a result of the "risk based" approach.

We think there is potential for confusion here, mainly because many advisory firms will be driven by the provider's requirements, which means that, as an advisory firm, we correctly apply a "risk based" approach, but find that it doesn't meet the providers' minimum requirements. We strongly suspect that the providers will not discuss their approach with each other and that we will end up with differences due to interpretation.

However, we expect that, once the dust has settled, firms will look for the highest common denominator approach i.e. whichever provider sets the highest standards.

Needless to say, you will need to have advance knowledge of what the provider's requirements are so that you do not create delays in your sales process.

Action required by you:

ATEB will be issuing updated procedures soon and we hope to explain the content with firms as part of the regular visit.

Firms will need to retain a copy of the new JMLSG guidance parts I & II and make staff it accessible to staff. The person with ML responsibility and their deputy should have a good knowledge of its content. (Part II has a specific section for Financial Advisers.)

http://www.jmlsg.org.uk/content/1/c4/68/86/Final_Part_I_030306.pdf

http://www.jmlsg.org.uk/content/1/c4/68/87/Final_Part_II_030306.pdf

[Return to Features List](#) or [Contact Us](#)

4. FSA issues consultation on Home Reversion Schemes & Home Purchase Plans

The newly issued CP06/08 consults on the introduction of these equity release products into the FSA's remit. The FSA is said to be concentrating on clear information for consumers,

appropriate T&C and suitability issues. It claims to take into account the relatively small size of this market, despite the two parts of this CP being over 400 pages long! Views are sought by 21 July.

ATEB view:

This is a good step forward towards providing a level playing field for consumers and also clarifies best practice sales processes for firms. No action is needed.

Action required by you:

It can be accessed at http://www.fsa.gov.uk/pages/Library/Policy/CP/2006/06_08.shtml

[Return to Features List](#) or [Contact Us](#)

5. Critical Illness TCF review

The FSA reports that sales practices around CI products are improving, but there is still more to do to demonstrate "treating customers fairly".

The FSA is urging firms to review their sales processes and address the following issues:

- Ensure customers give proper disclosure on the application
- Clearly explain the terms of the policy, including the illnesses covered
- Demonstrate reasons for selection of the product other than pure price
- Standard demands and needs templates being used with limited information
- The need for clearer policy terms

The conclusions of the FSA review come when the ABI has updated its notice on best practice for selling critical illness products following a full review. It is aimed at product providers but gives key messages about customer understanding. It is aimed at simplifying the language to make it easier for customers to understand and proposing the use of generic terms so that customers can more easily compare products.

ATEB view:

All of the above make good business sense.

Action required by you:

You should ensure that you are giving a fair amount of time over to this part of your recommendation, including explaining the product to the customer and the preparation of the demands and needs statement. It is important that you demonstrate how the recommended product meets the protection needs of the client. The demands and needs statement should include why that particular provider and product were recommended in terms of product features, service level etc. Whilst the use of templates are critical in streamlining the sales process, you should make sure that your demands and needs statement is tailored to the particular client, detailing their own personal demands and needs and how the recommended product is suitable.

[Return to Features List](#) or [Contact Us](#)

6. FSA to review General Insurance (GI) client money procedures

The FSA is to undertake a detailed review of the handling of client money by GI intermediaries at the end of this year amid concerns of poor compliance in both the commercial and retail sectors. It will involve visits to up to 200 firms. Key areas are client money calculations, recording of client money held with third parties, trust account status and notifications to customers. It appears that this will be a hard hitting review, with little or no tolerance of lack of understanding of the rules by firms. It does not appear to be a step towards educating firms, with some firms having already been referred to enforcement. On the back of this, the FSA has issued a guide for firms, the link to which is www.fsa.gov.uk/pubs/other/Client_Money_Guide.pdf

ATEB view:

We are not surprised by this approach, however we are disappointed that it has taken until June 2006 (17 months after the start of regulation) for the regulator to come up with some plain language guidance.

Action required by you:

Firms should read the FSA guide and review their client money procedures as a priority, before they find themselves the subject of a visit. ATEB can assist firms that are unsure of their obligations.

7. Fine for firm failing to seek approval of individual in Controlled Function

The FSA has fined an intermediary £20,000 for failure to seek approval for a senior manager in a Controlled Function within the firm. Had the correct process been followed, it could have revealed previous convictions for fraud at an earlier stage and have prevented the individual perpetrating fraud within the firm.

ATEB view:

This highlights not only the need to consider whether every new recruit falls within the Approved Persons regime, but also the need for a robust recruitment process. It is essential that firms pay serious attention to checking an individual's credentials before employment, including qualifications, previous employment and financial history.

This is true for all staff, but particularly important for Approved Persons, whom the firm must demonstrate as fit and proper to carry out the role. Fraud is prevalent and firms should resist the temptation to take potential new recruits at face value. It is a significant risk to the business and to customers. ATEB can help you establish strong recruitment and assessment process suitable to your business.

Action required by you:

Ensure that your systems are robust.

8. Focus on fraudulent mortgage activity

The FSA set up a reporting system for lenders to report potential fraudulent mortgage activity involving intermediaries. The lender follows a whistleblowing procedure to notify the FSA of potential cases. So far, four intermediaries have been referred to enforcement. The majority of cases involve fraudulent documentation and income declaration and inconsistent information in supporting documents.

ATEB view:

There is potential for professional firms to be caught up in this scenario. It is important to be vigilant for potential mortgage fraud, particularly in the sub-prime and self certification market places.

Action required by you:

If you suspect mortgage fraud or unrealistic income declarations, you should walk away from the business and consider alerting the lender or the authorities.

9. Use of FSA Comparative tables

A number of IFAs are using this facility as part of their research.

We contacted the FSA to confirm whether this was allowable and their view was there was no reason why an IFA shouldn't use the facility providing that they kept within the terms and conditions (Legal guidance). We have summarised a few key point below, but please do read the full legal guidance contained at <http://www.fsa.gov.uk/Pages/Legal/>

- FSA copyright notice, the date that the FSA last updated and web address must appear on any client promotion.
- Any promotion must not imply FSA endorsement.
- Any tables must either be presented complete and with no additions; or if one or more tables is not complete, state that the information is based on a limited selection taken from the tables prepared by the FSA.
- Non alphabetical ordered information should not be presented without explanation.
- If you use tables with a client then you must give them a full print of the appropriate filtered table accompanied by the supporting explanation pages.

ATEB view:

Quite a few hoops to jump through before you become compliant! We find it bizarre that the FSA insists firms hand this information to the customer, I thought the FSA were promoting "less is better".

Regarding other research material, this is not seen as standard practice and firms simply need to retain this information on the client file.

Action required by you:

Tables can be found at <http://www.fsa.gov.uk/consumer/compare/index.html>

[Return to Features List](#) or [Contact Us](#)

10. Ordering FSA Publications - FSA lacking systems and controls?

Be careful when ordering stocks of FSA booklets and factsheets.

An IFA recently telephoned the FSA to order a 'pack' of booklets for Lifetime Mortgages. The IFA was likely to do maybe 5 -10 cases in the year. The following day he found his office blocked by a box delivery from the FSA!

The IFA being none too pleased with the hassle of having to organise the return of this shipment of gigantic proportions, spoke with a more senior individual within the FSA to which their immediate response, to the faux pas was "Oh no, not again...!!??"

We worked out that the booklets would, in theory, last this particular IFA probably about 200 years although, as we all know only too well, with the beaurocrats ensuring that the legislation moves more quickly than a formula one racing driver, he was never going to get the chance to use them all anyway!

ATEB view:

I wonder who pays for this and why the FSA bod thought that a small IFA firm working out of a rural part of Northern England would have the need for 2000 (16 page) booklets??

Action required by you:

Sensible and realistic numbers of booklets and fact sheets can be ordered via http://www.fsa.gov.uk/consumer/consumer_publications/index.html

[Return to Features List](#) or [Contact Us](#)

11. Refer to the Principles and Practices of Financial Management (PPFM)

PPFM stands for 'Principles and Practices of Financial Management'. It's a document that all with-profits insurers (including those which have closed their with-profits funds to new business) must produce and it describes how they run their with-profits business.

Principles are high-level statements that describe the insurer's long-term approach to the way it runs its with-profits business. Practices describe how an insurer runs its with-profits business.

From the end of December 2005, all with-profits life insurers have been required to produce a [consumer friendly version](#) of the PPFM, which should make the key information easier to understand.

ATEB view:

Using the PPFM will mean that customers are better able to understand how the with-profits policies operate and relate to advice given by the IFA. We recommend that where advice is being given in relation to with-profits, that these documents are used as part of the advisory process.

Action required by you:

As well as contacting the providers, further information is available at http://www.fsa.gov.uk/consumer/updates/updates/with_profits/mn_ppfm.html

[Return to Features List](#) or [Contact Us](#)

12. FSA CD-ROM & web-based training solutions

As you may already be aware, the FSA provides distance learning so that firms can take training on their personal computers in the form of web-based training or by purchasing one of their CD-ROMs. The current range of relevant packages for advisory firms is as follows:

	IFA	Mort	GI
Financial Crime	✓	✓	✓
Retail Mediation Activities Return (RMAR)	✓	✓	✓
High Level Regulatory Standards	✓	✓	✓
Complaints Handling	✓	✓	✓
Financial resources: Calculating own funds and capital resources	✓	✓	✓
Training and competence for general insurance intermediaries			✓
Training and competence for mortgage intermediaries		✓	
Training and competence for investment firms	✓		

ATEB view:

We recommend that firms consider using these packages. They offer a convenient and cost effective method of CPD relating to key regulatory issues.

Action required by you:

Further information is available from either the web-based training team on 020 7066 3856 Or the CD-ROM team on 020 7066 0752.

[Return to Features List](#) or [Contact Us](#)

13. FSA monitoring “Phoenix firms”

Phoenix firms appear when the directors of one firm seek to close that firm and transfer the business to a different entity (the phoenix firm) in order to avoid past liabilities.

The FSA have strengthened their information sharing with the Financial Ombudsman Service and the Financial Services Compensation Scheme. This helps the FSA identify the firms, which seek to conceal their identity and avoid their liabilities. The FSA will also be making more use of private warnings. A private warning is a serious matter for advisers and can have a bearing on future enforcement cases, or if the individual applies for approval for a governing role in a firm.

ATEB view:

Given the disastrous and unjust funding situation of the FSCS, we are pleased that the FSA appears to be taking a hard line on phoenix firms.

Action required by you:

If you are considering changing the legal status of your firm, for example from a partnership to a limited company, the FSA have issued a new factsheet on phoenix firms that you should read before applying: www.fsa.gov.uk/pubs/other/phoenix.pdf

[Return to Features List](#) or [Contact Us](#)

14. FSA research into platforms (Wraps)

The FSA has recently completed some research into platforms (although they refer to them as wraps), and visited a sample of providers and advisers using them.

Without wanting to go over the many advantages, we urge firms to think about the potential downsides and ensure these are considered within the advice process and of course documented.

The FSA have suggested that a firm’s independence could be lost, where a wrap offers only limited choice of a particular type of packaged product. IFAs will need to look at products outside of that wrap to offer a whole of market service. **It is not enough if the packaged product itself offers links to funds across the whole market.** This means having documented evidence that the firm has considered the wider whole of market.

In particular the FSA warn firms that they should:

- consider disclosing and explaining any wrap charges as clearly as possible; and
- think carefully about whether wraps are going to be beneficial for each (and every) customer.

ATEB view:

We think it's important that firms read the feedback carefully and discuss any obvious weaknesses in their current sales and research process with ATEB.

Action required by you:

Whether or not you provide services using wraps, you need to make sure you **rigorously** assess which product is most suitable for each of your clients and record the reasons for your decision, to help you treat your customers fairly.

The FSA website page gives more information on wraps and we urge IFAs to read and digest the content carefully.

www.fsa.gov.uk/Pages/Doing/small_firms/advisers/FAQ/index.shtml

<http://www.fsa.gov.uk/pages/About/What/Approach/Framework/Architecture/wraps.shtml>

 [Return to Features List](#) or  [Contact Us](#)

15. Markets in Financial Instruments Directive (MiFID) – 15 months away

MiFID stands for the Markets in Financial Instruments Directive. It is an important piece of

European legislation, which sets out detailed requirements on how investment firms manage their business and how they deal with clients. It is a key part of the European Commission's plans to create a single market in financial services and the UK must implement it by 1 November 2007.

It is linked to another important European directive, the Capital Requirements Directive (CRD), which details the capital adequacy of all firms that are within the scope of MiFID. This legislation will result in whole new set of prudential sourcebooks.

Unless you hold client assets, you're unlikely to fall within the scope of MiFID. However, there are still a number of grey areas that have not been decided, including the definition of "holding client assets". This means that some IFAs who hold commissions "on account for future business" could be caught by the directive.

Worryingly, even if you are not within the scope of the directive, MiFID could still affect firms. The FSA will consider the possibility of extending MiFID standards to firms not directly impacted by the directive. By doing this, the FSA are hoping to avoid the costs and confusion that operating different sets of rules would bring for firms, so they might choose to apply the MiFID standard more widely.

Implementing MiFID requirements will lead the FSA to amend much of the detail of the current conduct of business regime. They anticipate there will be fewer rules, less repetition and less cross-referencing; and the FSA move towards more principles-based regulation will mean fewer detailed rules.

ATEB view:

This is a complex area that will arguably impact on most IFA firms either directly or indirectly. Over the next couple of months, we will be looking into developments and keeping you abreast of changes and impact areas.

Action required by you:

Further information is available at:

http://www.fsa.gov.uk/Pages/Doing/small_firms/advisers/library/planeu.shtml

As a result of MiFiD changes, the FSA will consult on proposals for a new COB regime in three separate October Consultation Papers: Reforming COB Regulation, Financial Promotions and Disclosure. You may wish to keep an eye on these important releases.

 [Return to Features List](#) or  [Contact Us](#)

16. Proposal to end the statutory audit for small IFA firms

In September 2005, the Department of Trade and Industry (DTI) amended the Companies Act to exempt small directly regulated and appointed representatives who only undertake mortgage and general insurance business from the statutory audit requirement.

The DTI has now agreed with the FSA's proposal to remove audit requirements from small IFA

directly regulated and appointed representatives firms. The DTI will make regulations under the Companies Act 1985 to implement the proposal as soon as possible.

The aim is that these will apply to **financial years ending on or after 31 December 2006**, so that affected companies will not be required to have their accounts audited for that or subsequent financial years.

Firms holding client money will still be required to have a client money audit.

ATEB view:

We welcome this relaxation as it will result in considerable cost savings for firms.

Action required by you:

None at this stage, for information only

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2006/074.shtml>

[Return to Features List](#) or [Contact Us](#)

17. Complaints handling in general insurance brokers

The FSA surveyed 150 firms from across the general insurance broker sector.

There were a number of issues uncovered and we did find it interesting that one firm had advised people making a complaint to write in turn to the claims manager, branch manager and then to the customer services director before being advised to refer to the FOS.

The FSA also found that some firms were not translating their procedures into practice in their day-to-day dealings with customers.

There were numerous instances where the timescales on the five-day acknowledgement letter, four-week letter and eight-week letter were broken. The FSA mentions that it took one firm four months to send out a five-day acknowledgement letter, despite having a robust procedure written down for all their staff.

ATEB view:

Some of the findings are rather worrying. Getting this area right is an easy way to demonstrate good TCF and it makes good business sense into the bargain!

Action required by you:

Please click on the following link to view the feedback:

http://www.fsa.gov.uk/pages/Doing/small_firms/insurance/practice/complaints.shtml

[Return to Features List](#) or [Contact Us](#)

18. Appointed Representative (AR) Fact Sheet

The FSA have produced a very useful fact sheet for Mortgage and GI firms looking to recruit Appointed Representatives. Although this is aimed at mortgage and GI brokers, it contains useful information for investment advisory firms.

ATEB view:

In our experience, appointment and monitoring of ARs is generally very poor, which ultimately will lead to problems for the principal.

Action required by you:

Click on: http://www.fsa.gov.uk/pubs/other/factsheet_appointed_reps.pdf

[Return to Features List](#) or [Contact Us](#)

19. FSA Workshop – Sales Process for Mortgage intermediaries

This FSA workshop will provide practical help to enable you to understand and comply with the FSA mortgage sales process requirements. Courses will take place in London, Bristol, Manchester, Birmingham, Leeds, Nottingham and Glasgow during August and September.

Duration: Half Day / Cost: £100

ATEB view:

We would recommend that firm principals attend if possible.

Action required by you:

More information available at:

http://www.fsa.gov.uk/pages/Doing/Events/workshops/mi_compliant.shtml

 [Return to Features List](#) or  [Contact Us](#)

20. Alert for Mortgage Firms

As you know, sub-prime lending and self-certification mortgages are never far away from the FSA's watchful eye. Indeed, both were the subject of FSA projects in 2005, and there are plans to focus on these topics again this year. A note to the wise about a couple of issues which appear to be getting stronger focus.

Self-certification mortgages:

For all advised mortgage business, the adviser is under an obligation to confirm that the customer can afford the recommended product. This is without exception, and includes self-certification or fast track cases. The FSA will focus on how the adviser has assessed the *need* for the client to self-certify and *how* affordability has been assessed.

The FSA's key concern is where employed clients are self-certifying their income without valid reason. It's all down to record keeping. PAYE clients should normally be able to produce a P60 or payslips. If there is cash income, this may be verified via bank statements. If the client has part PAYE income and part cash income, the adviser should verify the PAYE income. The adviser must record that they have asked the right questions, have recorded valid reasons for the need to self-certify income and have done a sensible check on the income and expenditure to confirm affordability. The adviser can rely on any information provided by the customer unless, taking a common sense view of this information, he has reason to doubt it.

The adviser should notify the client that, by choosing to self certify their income, they may be excluding themselves from more suitable or cheaper products where income is declared and substantiated. ***This should be in the suitability letter or clearly documented on file that it was discussed.*** The FSA would like to see comparison illustrations on file of the difference in cost of self certification and full status products.

It's worth considering including a self-certification sign off sheet as part of your sales process, documenting the appropriate warnings and getting it signed by the client.

Interest-only

The FSA is concerned about the growing number of interest only (IO) cases, particularly for first time buyers and in the sub-prime market, whereby it is being used to keep the monthly outgoings down. Invariably the customer will decide not to take out an investment vehicle, in favour of selling the house at the end of the term or stating that they intend to switch to a capital & interest (C&I) mortgage after the fixed or discount rate period has ended. Key issues which the adviser should consider:

- Recommendation or insistent customer – The adviser must recommend the best payment method based upon needs and circumstances and attitude to risk. If the adviser recommends C&I but the customer wants IO, it should be clearly documented.
- The reasons for the recommended repayment type should be documented in detail.
- The client's needs and preferences and attitude to risk should be documented in detail.
- Review period – the FSA will expect the adviser to diarise a review with the client at the end of the initial rate period to review the repayment method.
- Warn the customer about payment shock – the fewer years left to retirement age in which to pay a C&I mortgage or the fewer years available to build up an investment fund if it is delayed.
- Warn about the need to repay the full debt at the end of the term.

High street versus sub-prime

The adviser must have adequate records to demonstrate that he recommended the cheapest product available. ***For sub-prime cases, this means that the adviser researched the high street lenders before placing the case with a sub-prime lender.***

The adviser should take care to ensure that where the profile of a case changes once the credit checks reveal a poorer or lighter credit history than declared by the client, the adviser should re-source the case on the new information to see if there is a more suitable product available

from a different lender.

ATEB view:

We believe that the FSA is determined to keep these topics at the top of their agenda for fear of potential future mis-selling and getting egg on its face.

Action required by you:

You need to think about your own sales process, make sure you are asking the right questions and giving the right warnings, but most importantly, that there are no weak areas in your record keeping. Review your fact find and suitability letters. Remember that the FSA is keen on mystery shopping exercises as part of its projects and you should polish up on your sales process for telephone sales business.

 [Return to Features List](#) or  [Contact Us](#)

Important Note:

The ATEB Newsletter is intended to provide general guidance on areas of compliance and T&C; however it is not a replacement for the main Rules and Guidance contained within the FSA Handbook.

We welcome all feedback. If you have any feedback or questions relating to any articles then please direct them to your local ATEB consultant or the newsletter editor Steve Bailey email steve@atebconsulting.co.uk

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Contact Us:

ATEB Consulting
The Old Post House
29 Nedderton Village
Northumberland
NE22 6AX

T: (01670) 822984
M: (07703) 576951
E: steve@atebconsulting.co.uk
W: www.atebconsulting.co.uk