

Mortgage and general insurance firms



Financial resources for mortgage and general insurance firms

This guide is for:

- mortgage and home finance intermediaries; and
- general insurance intermediaries.

It does not cover firms who carry out designated investment business. Investment firms should see our factsheet: Financial resources for investment firms.

This guide gives a summary of key minimum financial standards that mortgage, home finance and general insurance firms need to meet to be allowed to advise on and arrange regulated mortgage contracts and general insurance products.

It explains:

- what minimum funds you must have to meet the Financial Services Authority's (FSA's) basic financial resources requirements - also known as the capital resources requirements;
- which of the FSA's financial rules apply depending on the business you do;
- the implications of not holding sufficient funds; and
- the professional indemnity insurance (PII) requirements.

It also explains:

- reporting your financial information to the FSA;
- what to do if you find that you do not have enough funds to meet the FSA's requirements; and
- where to go for further information.

In this factsheet:

Financial resources

Minimum amounts

Professional indemnity insurance

Reporting

Your calculation

Financial resources requirements

- You must be able to meet your liabilities as they fall due. (MIPRU 4.2.1)
- You must at all times maintain financial resources equal to, or in excess of, your relevant financial resources requirement. (MIPRU 4.2.2)

Tables showing your minimum financial requirement and what you may use to meet your requirement are on the next page.

[back](#)

Important

If you do not have enough funds to meet these requirements you risk losing your right to continue doing regulated business. It is one of the conditions of continuing FSA authorisation that your firm maintains adequate resources (including financial resources) at all times.

If you find you do not have enough funds to meet the regulatory requirements you should inform us immediately and tell us how you plan to correct the shortfall.

Having less than the required funds is a breach of FSA rules and we will expect you to take urgent action to remedy any reported deficiency in order to protect your customers.

You can contact us through our Firm Contact Centre on 0845 606 9966.

Financial resources
for mortgage
and general
insurance firms

Minimum amounts of financial resources

This table shows the minimum amount of financial resources for different firms.

	Annual income (as defined in MIPRU 4.3.2R)	Minimum financial requirement	Rule reference(s)
<ul style="list-style-type: none"> Mortgage and general insurance intermediaries that do not hold client money 	Under £200,000	£5,000	MIPRU 4.2.11R
	More than £200,000	2.5% of annual income	
<ul style="list-style-type: none"> Mortgage and general insurance intermediaries that hold client money in relation to their business (but not in a non-statutory trust) 	Under £200,000	£10,000	MIPRU 4.2.11R
	More than £200,000	5% of annual income	
<ul style="list-style-type: none"> Mortgage and general insurance intermediaries that hold client money for retail customers in relation to their general insurance business in a non-statutory trust 	Under £1,000,000	£50,000	MIPRU 4.2.11R and CASS 5.4.4R
	More than £1,000,000	5% of annual income	

[back](#)

Professional indemnity insurance requirements (MIPRU 3.2)

If your firm does not hold client money the excess must not be more than the higher of:

- £2,500; and
- 1.5% of annual income.

If your firm does hold client money the excess must not be more than the higher of:

- £5,000; and
- 3% of annual income.

If your firm wants to have an excess that is higher than the limit above, you must hold additional capital. You can calculate how much this should be using the table in MIPRU 3.2.14R.

If your firm is solely a mortgage intermediary, the minimum limit of indemnity is the higher of 10% of annual income up to £1 million, and:

- for a single claim, £100,000; or
- in total, £500,000.

If your firm undertakes insurance mediation, the minimum limits of indemnity are:

- for a single claim, €1,120,200 and
- in total, €1,680,300 or, if higher, 10% of annual income up to £30 million.

[back](#)

Reporting requirements

You must provide the FSA with a range of information on at least a six-monthly basis by completing the Retail Mediation Activity Report (RMAR).

This information includes certain financial data that you need to submit in sections A (the balance sheet), B (profit and loss account) and D (regulatory capital).

If you need assistance completing your RMAR, use the help boxes within the RMAR and the information on the small firms section of the FSA website (www.fsa.gov.uk/smallfirms). Alternatively, you can call our Firm Contact Centre.

[back](#)

Meeting your financial resources requirement

You can only meet your financial resources requirement using the items in the table below. Please consult MIPRU 4.4 for a full explanation of how to use each item.

Item	Additional explanation
Share capital	The share capital must be fully paid up and can include: <ul style="list-style-type: none">• ordinary share capital; or• preference share capital (but not including preference shares that are redeemable by shareholders within two years).
Capital	The capital of a sole trader is the net balance on the firm's capital account and current account. For details of how the capital is calculated for a partnership and an LLP, please see MIPRU 4.4.2R.
Reserves	Reserves are the profits retained by the firm after the deduction of tax, dividends and drawings. They can also include other reserves created by circumstances, such as the appropriation of share premiums or gifts of capital to the firm. For a full list of adjustments that a firm must make to its reserves, please see MIPRU 4.4.2R.
Interim net profits	You should include in the RMAR any profits your firm has made during the period. If your firm is not exempt from the audit requirement, the profits have to be verified by your firm's external auditor.
Revaluation reserves	These normally arise on the revaluation of fixed assets (for example property).
Subordinated loans	Subordinated loans may be included subject to the provisions in MIPRU 4.4.7R.

FSA factsheet for Mortgage and general insurance firms

Continued: Meeting your financial resources requirement

Items that you must deduct when calculating your financial resources

Item	Notes (For further explanation please see MIPRU 4.4.4R)
Investments in own shares	
Intangible assets	Intangible assets are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences
Interim net losses	Interim net losses or excess of drawings must relate to the period that is being recorded on the RMAR
Excess of drawings over profits (only applies for a sole trader or a partnership)	

Please see MIPRU 4.4.5R for an explanation of the circumstances in which a sole trader firm or a partnership firm may use personal assets to meet the financial resource requirements.

For further information on this and other issues affecting small firms, please see the small firms section of the FSA website (www.fsa.gov.uk/smallfirms).

[back](#)