

Help text for lenders considering making Information from Lenders (IFL) referrals

Lenders' active participation in IFL and the resulting actions taken by the FCA have already been hugely beneficial for the industry, consumers and the wider community in tackling financial crime.

It would be very helpful to the FCA to receive fully investigated cases, in which the complicity of the intermediary in the fraud has been proved. However, we recognise it can be difficult for lenders to complete a detailed investigation in every case.

Thus, referrals are likely to fall under one of the following categories:

1. The lender removed the intermediary (or adviser/employee of intermediary) because of his or her own mortgage applications.
2. The lender has either ***proof or is suspicious*** that the intermediary is being used as a ***conduit*** for the purpose of financial crime (eg, the intermediary may have weak systems and controls that suggest he may be used as a conduit for financial crime). The standard IFL reporting form permits this by asking the following questions and providing an opportunity on the form for the lender to submit information they think the FCA should be aware of:
 - Was the intermediary (or individual employed or engaged by the intermediary) removed from the lender because of their **own** mortgage application(s)?
 - Was the intermediary (or individual employed or engaged by the intermediary) removed from the lender because of **other individuals** mortgage application(s)?

Referrals in any of the categories are helpful to us and often a small piece of intelligence can be the 'final piece of a jigsaw' or the catalyst for a successful investigation.

For lenders processing significant volumes of mortgages we fully understand a degree of pragmatism may need to be applied. Sending thousands of referrals, a year would not be practical for either the lender or the FCA.

While we do not have rigid criteria for referrals, as the combination of factors when deciding on whether to refer can be diverse and numerous, the following examples may assist lenders when making the decision whether to refer or not.

Examples of cases that lenders may consider referring:

- Any case in categories 1) or 2) above.
- An intermediary that is submitting multiple* applications with suspected or proven fraudulent documentation.
- An intermediary that routinely cancels applications when asked for further information.
- An intermediary who resubmits applications or 'decisions in principle' with suspicious changes in content (to the existing or a new lender).
- An intermediary who submits multiple* applications that HMRC indicate contain inflated incomes.
- An intermediary whose cases exhibit trends of concern (e.g. applicants paid in cash, the same accountant/solicitor or unusual types of income verification on a high percentage of applications).
- An intermediary that has been removed from panel due to high arrears rates.
- An intermediary making a personal application over which a lender has concerns (e.g. dividend income is out of step with Companies House returns).
- An intermediary who breaches a lender's money laundering procedures (e.g. the lender requires the intermediary to have sight of original documents but only copies are seen).
- An intermediary who submits multiple* cases where properties are overvalued in the application and the lender highlights that the trend falls outside of what is considered normal.
- An intermediary that is submitting multiple* applications and there is suspected scheme abuse (e.g. owner-occupier mortgages submitted as buy-to-let mortgages).

** Pragmatism needs to be applied on what 'multiple' looks like. In the case of a network, trends should be considered at appointed representative level.*

This list is not exhaustive. It has been produced to assist lenders in deciding which cases to send to IFL. Lenders will still need to exercise judgement when considering referrals. If lenders require any further information, they should contact Pantea Shafiei on 0131 301 2000.