Generic implementation specific

Questions	Answers
What can we implement early?	Until 26 April 2014, firms will be supervised against the existing MCOB rules and not the new MMR requirements. So you should carefully consider anything you want to implement early to make sure that you are not in breach of existing requirements. For example, you cannot stop using the Initial Disclosure Document or introduce an execution-only sales channel before implementation.
Do we have a plan for consumer education?	Consumer education is built into our implementation plan. The exact timing is still to be confirmed, but it is likely to take place closer to the implementation date.
Will we brief compliance consultants?	We have built engagement with compliance consultants into our implementation plan. We still need to confirm the exact timings, but it is likely to be when we have the results from our readiness tracking work.
Will lenders be subject to the same advice regime?	Yes, all sellers of mortgages, including lenders, will be subject to the same advice rules.
If firms are already MMR compliant, what plan/evidence should we have in place?	We would recommend that you review your business – there are certain elements of the MMR rules (including changes to disclosure and execution-only) that cannot be implemented early. The MMR planning tool for intermediaries can be used as a starting point for you to evaluate your business and see where changes may or may not need to be made. We have not covered every detail of the rules but we have flagged key areas of change that may affect you and your firm. You can use it (or something similar) to set out your actions.
When will CF31 come in?	We have not committed to a timescale for this. The work has been delayed due to our work on regulatory reform. We are still committed to its introduction and are working with industry to find an interim solution.

Scope of service/disclosure

Questions	Answers
Due to the change in disclosure, can firms continue to use independent, whole of market and tied labels?	We do not see the need to prescribe the independent, whole of market or tied labels for scope of service disclosure in the mortgage market. Mortgage firms need to be clear, fair and not misleading in their communications with consumers, particularly in respect to their firm name. We would consider it a breach of this requirement, for example, for a firm to call itself an 'independent mortgage adviser' where this did not reflect the service it offered (e.g. where it did not offer an unlimited product range from across the relevant market). What we ultimately want to achieve in the mortgage market is that the consumer is aware of whether there are any restrictions in the product range that the firm is providing them. We now consider that the most effective way to do this is to get the firm to explain to the consumer whether it has any restrictions, and if so, what they are.
Firms have to act in the 'best interests of consumers.' Does this mean firms always have to sell 'direct only' deals if they are the cheapest/best?	No, you do not have to sell 'direct only' deals. But if you choose not to sell them you must clearly state this in your initial disclosure.
If a firm does not offer advice on direct deals, can it call itself unlimited?	If a firm will not, as part of its services, consider direct deals, it does not need to treat that as a limitation in its product range, but the firm must tell the customer as part of the disclosure that it will not consider direct deals.
Will lenders be required to disclose the deals they cannot offer?	All firms selling mortgages will be required to explain the products they have access to in clear, simple terms. For many lenders this will mean that they will disclose that they only sell their own products.
If a firm does not have access to network exclusive deals/mortgage clubs, do they need to disclose this to the customer?	No.
When do firms have to produce a Key Features Illustration (KFI) for a client?	The adviser must give a KFI: before the customer submits an application; when the customer is advised to take a product; when they ask for one; or when they know what product they want in an execution-only sale.
The rules state that firms have to provide the client with a KFI if they ask for one. If the	No, you should make reasonable efforts to obtain a KFI for your client but, if this is not possible, you would not be considered in breach of the rules.

firm cannot provide a KFI (through no fault of their own) will they be in breach of the rules?	However, we recommend you clearly document in your record-keeping your actions and why you could not provide a KFI.
Does the client have to positively elect to add the lender's fees to the loan?	The rules require you to discuss with the customer the consequences of adding any lender fees to the loan and customers must positively elect to do so.
Would a tick box on a fact-find or lenders application or reference in a suitability letter, be sufficient to demonstrate a positive election to add fees to the loan?	We are not being prescriptive about how firms demonstrate that customers have positively elected to add fees to the loan. This is because what would be appropriate for one customer, may not be for another. What we require is that it is clear, fair and not misleading to the customer. Firms should also remember that they will not only be required to demonstrate that the client has positively elected, but will also need to explain the consequences of doing so.
Do firms have to assess the appropriateness of rolling up fees into the loan?	Under the advised sale rules (MCOB 4.7A.6 (9) you should assess whether it is appropriate for the customer to add fees to the loan, or pay them upfront.
Do firms have to give the client the option of paying by fee or commission?	Post implementation there will be no requirement for you to offer your customers a fee-only option. If, however, you do charge a fee, you will need to ensure that your initial disclosure of the fee meets the requirements in MCOB.
Do firms have to stop using the Initial Disclosure Document (IDD) post implementation?	No. While there is no requirement for firms to provide customers with an IDD post-implementation, some firms may wish to continue to use it. So, an updated IDD template will be available on our website in good time for implementation. Until 25 April 2014, the current IDD template remains available on our website. Please continue to check the MMR web page for updates.
How can firms evidence verbal disclosure?	We do not prescribe how you should evidenceverbal disclosure. We have included guidance in the rules about how intermediaries might demonstrate compliance with this requirement. This includes, for example, building the requirements into your staff training, as evidenced by their training and compliance manuals, inserting appropriate prompts into paper-based or automated sales systems, and having procedures in place to monitor staff compliance with the rules.
Does disclosure have to be verbal or can it be written?	Where there is spoken interaction in the initial contact (e.g. face-to-face and telephone sales) the messages must be given orally. Where there is no spoken interaction in the initial contact, the messages must be given prominently and appear separately from other messages in the

	communication.

Qualifications

Questions	Answers
What qualifications are needed under the MMR?	The qualification to provide advice on a regulated mortgage contract is not changing under the MMR. We require firms to obtain a Level 3 qualification, which is the existing standard. The most obvious examples of this level of qualification is CeMap and CF1 and CF6, which all those who offer advice are already required to hold.
How long do advisers have to obtain the relevant qualification to be able to provide advice?	Whenever an individual starts a regulated mortgage activity that requires a qualification, the qualification will be required within 30 months of the start date (both pre and post implementation).
Are there any plans to raise the level of qualification for the mortgage market?	We are planning to review the mortgage exam syllabus, which has not been reviewed since 2004. However, this review will not take place before implementation. Going forwardwe plan to review the syllabus on a more regular basis.

Advice

Questions	Answers
Can a client reject part of the advice and still proceed on an advised basis and not be forced to go execution only?	If a customer only rejects part of your advice, such as the term, you have two options. You can consider whether the customer's choice of term still meets their needs and circumstances and if it does, you can amend your advice and proceed on an advised basis. If the term does not meet their needs and circumstances, you can use the rejected advice rules and proceed on an execution-only basis. At all times you must continue to act in the customer's best interests.
Can a firm give a client pre-contract or preliminary information without this being deemed to be advice?	Our position on what is advice and information has not changed under the MMR. The full guidance can be found in the Perimeter Guidance Manual (PERG 4.6).
Is it acceptable to offer an advised-only service?	Yes. You are not compelled to offer execution-only.
Will lenders have to give advice if customers buy via the internet?	In general this will be classed as a non-interactive sale, therefore the execution-only rules will apply. The exception will be where the lender uses a chat facility, which allows the customer to interact with an adviser to discuss the available products. This is likely to be advice and the rules will apply.
As a broker, if I tell a client to go direct and the lender then processes that application, who has provided the advice? Can I charge an admin or advice fee?	You will have provided advice and therefore the MMR rules will apply to you. However, as the sale can only be done directly with the lender, they will be primarily responsible for the advice given. You will still be required to act in your client's best interests and can charge a fee if you wish.

Affordability

Questions	Answers
As an intermediary, what is my role in assessing the affordability of a mortgage?	Under the MMR, we have drawn clear lines of regulatory responsibility for affordability assessments and this is with the lender. Inevitably you will discuss affordability with your customer as part of the advice process and you can continue do so if you wish. However, it will still remain the responsibility of the lender to ensure the loan is affordable. Under the advised sale rules, you are only responsible for ensuring the customer meets the known eligibility criteria of the lender. If the lender does not make this information available to you, we do not expect you to apply an alternative method.
What role does the intermediary play in product switches/retention deals?	If you are advising on/arranging a product switch/retention deal, then you are responsible for complying with the sales rules. The lender remains responsible for assessing affordability where it is required.
The rules refer to insurance under the basic essential expenditure category. What sort of insurance are we talking about?	Buildings insurance is the only type of insurance specified as basic essential expenditure.

MCOB 11.8.1E, transitional and contract variations

Will lenders be able to offer 'fast track' when doing product switches or remortgages with no extra borrowing?	Lenders will not be required to undertake an affordability assessment for a product switch (whether structured as a variation, or an internal remortgage), unless there is a material impact on affordability. Where there is a material impact on affordability lenders may choose to apply the transitional arrangements, as long as the relevant conditions are met. The lender must keep a record of the rationale for each decision to lend using the transitional arrangements.
Can lenders use the transitional arrangements to 'drop' the new affordability and interest-only requirements when they are changing the mortgage amount and term?	The transitional arrangements allow lenders not to apply the new affordability and interest-only rules, for existing borrowers whose mortgage was in existence before 26 April 2014. This is subject to certain conditions, including that there is no additional borrowing and the proposed transaction is in the customer's best interests. The transitional arrangements cannot be used where the mortgage amount is increasing (except essential repairs, if the mortgaged property is at risk if the repairs are not carried out).
When doing a product switch/transfer and there is no additional borrowing, can a consumer move to a new lender and not undergo the affordability assessment?	The lender will be required to undertake an affordability assessment in the first instance. If the consumer fails to meet the lender's criteria the lender may choose to apply the transitional arrangements. This will be a decision for the lender.

Record keeping

Questions	Answers
The new rules state sales records must be kept for three years. Does any responsibility fall away after this?	Three years is the minimum regulatory requirement. For advised sales, this requirement starts from the time that the advice is given. For execution-only sales from when the mortgage was arranged. We consider that beyond the regulatory minimum of three years, firms would have a strong self-interest in maintaining records to meet any complaint made or subsequent claim to the Financial Ombudsman Service. Mortgage intermediaries should also be aware that failure to maintain their records would mean any claim they subsequently made to their Professional Indemnity Insurer would be turned down.
Do firms need to keep a record of advice if the case did not complete?	Yes. The rules require a record to be kept for three years from when advice has been given.

Interest-only

Questions	Answers
When advising on an interest-only mortgage, the client is likely to think that we are providing advice on the investment/repayment vehicle as well as the mortgage. How do we overcome this?	The rules do not require you to give advice here, and you can make it clear to the client that you are not advising on the suitability of the repayment vehicle. There is nothing to prevent you using some form of written or spoken message to get the message across to customers, as long as it is clear, fair, and not misleading.
Can you be more specific on the repayment vehicles permitted?	We asked during consultation whether we should be more prescriptive about repayment strategies, but most respondents were not in favour of this. The rules give lenders flexibility to consider a range of repayment strategies, as long as they are not speculative. This allows lenders to service different sectors of the market and different customer types, and aims to ensure that lending on an interest-only basis remains responsible when the market is more active.
How will we know what repayment vehicles the lenders will accept?	It will be up to the lender to decide how to communicate their lending criteria to you.
What protections are in place to ensure that repayment vehicles are not cancelled?	The rules require the lender to check at least once during the term that the customer has a repayment strategy in place. Ultimately it remains the responsibility of the customer to maintain their repayment strategy.
Savings, pensions etc. are by their very nature speculative, therefore how can we use these when seeing whether a client has a repayment vehicle for an interest-only mortgage?	We are not suggesting the strategy has to be guaranteed, but that it has a credible chance of repaying the loan. You are not required to assess the customer's repayment strategy, but you must ensure that the customer is aware they will need to demonstrate to the mortgage lender that they have/will have a clearly understood and credible repayment strategy in place.
Are the interest-only rules backward looking or do they only bite on interest-only mortgages taken out after April 2014?	The rules will only apply to loans taken out on or after 26 April 2014.

Execution only

Questions	Answers
How will the FSA/FCA ensure that execution only is not being used inappropriately?	We have a specific rule that states firms should not encourage customers to transact on an execution-only basis. Customers will have to positively elect to proceed with an execution-only sale and quote certain facts (e.g. interest rates) in order to proceed.
Do firms need to show that the client is 'competent' to know what they are doing when proceeding with an execution-only sale?	The customer needs to be able to provide you with the specific information and this is set out in the rules.
The rules state that a firm must have an execution-only policy. Can this simply state that we do not offer execution-only sales?	Yes, although we would still expect some high-level monitoring to ensure compliance with your policy.
If a firm has a website with a sourcing system which also has a helpline, can these proceed on an execution-only basis?	Pure online sales, which involve no interaction with the customer, can be execution-only. If the helpline allows customers to talk to someone about a mortgage, this will need to be advised.
Can a firm mention to a HNW customer that they can proceed on an execution-only basis?	Yes you can.
Where dealing with a joint application and one customer is a professional and one customer is not, can the customers proceed on an execution-only basis?	No, in this case both customers would need to be professional.

Niche

Questions	Answers
Equity release	
Why have you permitted execution-only for equity release?	Advice must always be given in the first instance. But customers may then reject the advice and proceed on an execution-only basis if they know the details of the product they want. This has been included so that there is consumer choice.
Home purchase plans	
Clients come to an HPP advisor because they want an HPP. Is it really necessary to have to go into the detail of why a regulated mortgage contract is not appropriate?	The rules do not require details to be given to the customer. We simply want advisers to consider why an RMC is not appropriate for the customer. This could be because of their religious or ethical beliefs.
Business loans and high net worth (HNW)	
Do firms have to treat high net worth customers and business loans differently or can we apply to whole regime?	You are not obliged to treat them differently, and can apply the full regime if you wish.
Are second charge loans covered by the MMR?	We do not regulate second-charge mortgages at the moment.
When determining a HNW mortgage client, do the assets taken into consideration have to be in the UK?	No.
The definition of a HNW mortgage customer differs from that of a HNW retail customer. Are we planning on changing the definition of a retail client?	We have specifically defined a high net worth mortgage client. We have no plans to change the definition for investment purposes.
Are the tailored rules for business loans, specific to residential mortgages or do they include commercial?	Only business loans that meet the definition of a regulated mortgage contract are caught by our rules, i.e. loans secured by a first charge against the borrower's residence. We do not regulate commercial loans, i.e. loans secured against commercial assets.
Mortgage professionals	
What does 'recent' mean when defining a mortgage professional?	It is up to you to decide, the rules do not specify this.
Bridging	
Do the bridging rules only relate to bridging against a main residence?	Yes. Only bridging loans that meet the definition of a regulated mortgage contract are caught by our rules, i.e. loans secured by a first charge against the borrower's residence.