
FINAL NOTICE

To: **Homebuyer Securities Limited**

Of: **Empire House
70 Prospect Hill
Redditch
Worcestershire
B97 4BS**

Firm reference: **302568**

Dated: **16 November 2007**

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (“the FSA”) gives Homebuyer Securities Limited (“HSL”) final notice about a decision to cancel the Part IV permission granted to HSL.

1. ACTION

1.1. The FSA gave HSL a Decision Notice on 16 November 2007 which notified it that, pursuant to section 45 of the Financial Services and Markets Act 2000 (“the Act”),

the FSA had decided to cancel the permission granted to HSL pursuant to Part IV of the Act (“HSL’s Part IV Permission”).

1.2. HSL agreed that it would not be referring the matter to the Financial Services and Markets Tribunal.

1.3. Accordingly, for the reasons set out below and having agreed with HSL the facts and matters relied on, the FSA hereby makes this Notice to cancel HSL’s Part IV Permission.

2. REASONS FOR THE ACTION

2.1. The FSA has concluded, on the basis of the facts and matters described below, that HSL is failing to satisfy the Threshold Conditions set out in Schedule 6 to the Act (“the Threshold Conditions”).

2.2. In the opinion of the FSA:

(1) HSL’s business does not have adequate human resources in relation to the regulated activities that HSL carries on (Threshold Condition 4 – adequate resources); and

(2) HSL is not a fit and proper person having regard to all the circumstances including the nature of the regulated activities that HSL carries on, and its failure to ensure that its affairs are conducted soundly and prudently (Threshold Condition 5 – Suitability).

2.3. The FSA has considered, in accordance with COND2.5.4(G)(2)(a), (b) and (c), whether: HSL conducts its business in compliance with proper standards (including the FSA’s Principles for Businesses); whether it has a competent and prudent management; and whether it can demonstrate that it conducts its affairs with the exercise of due skill, care and diligence.

2.4. The FSA's findings are as follows.

- (1) HSL failed to ensure that all of its advisers held the appropriate qualifications to enable them to provide advice to clients on regulated mortgage contracts. Only one of HSL's eight advisers had passed all of the required elements of the Certificate in Mortgage Advice and Practice ("CeMAP") exam.
- (2) HSL failed to ensure that there were effective systems in place in relation to the recruitment, training, supervision and the ongoing assessment of its advisers as well as its sales processes.
- (3) HSL failed to communicate information to clients in a way which was clear, fair and not misleading in relation to the sale of Payment Protection Insurance ("PPI") policies to clients.

2.5. The failings resulted from significant weaknesses in HSL's management arrangements, such that customers were exposed to the risk of being recommended products that were not suitable.

2.6. The failings in HSL's management controls were identified by the FSA during its visit on 9 and 10 January 2007, and had not previously been identified by HSL.

2.7. The majority of HSL's customers were council tenants purchasing their first home under the Right to Buy scheme and, as such, may be financially vulnerable.

2.8. HSL:

- (1) did not conduct its business in compliance with proper standards;
- (2) did not demonstrate to the FSA's satisfaction that it had a competent and prudent management on an ongoing basis; and
- (3) did not demonstrate to the FSA's satisfaction that it conducted or would conduct its affairs with the exercise of due skill, care and diligence.

- 2.9. HSL’s failings amounted to a failure to comply with Principle 7 and Principle 9 of the FSA’s Principles for Businesses in that HSL did not take reasonable care to ensure the suitability of the advice given to its customers, nor did it communicate information to them in a way which was clear, fair and not misleading.
- 2.10. HSL has also failed to comply with the following rules (which are set out in full in an annex to this Notice):
- (1) FSA Rules 4.7.2R, 4.7.4R, 4.7.6R and 5.5.8R in the part of the Handbook entitled Mortgages and Home Finance: Conduct of Business (“MCOB”); and
 - (2) FSA Rule 5.5.14R in the part of the Handbook entitled Insurance: Conduct of Business (“ICOB”).
- 2.11. For the following reasons, the FSA has concluded that HSL is failing and will continue to fail to satisfy the Threshold Conditions.
- (1) HSL did not have adequate human resources in relation to the regulated activities it carried on, at least between May 2006 and February 2007, as none of its advisers were appropriately qualified during that period.
 - (2) HSL is not a fit and proper person, having regard to all the circumstances, including its breaches of the FSA’s Rules and Principles for Businesses.

3. RELEVANT STATUTORY PROVISIONS, REGULATORY REQUIREMENTS AND GUIDANCE

Statutory provisions

- 3.1. The FSA’s statutory objectives, set out in section 2(2) of the Act are: market confidence; public awareness; the protection of consumers; and the reduction of financial crime.

- 3.2. Section 41 and Schedule 6 to the Act set out the Threshold Conditions which are conditions that the FSA must ensure a firm will satisfy in relation to regulated activities for which it has permission.
- 3.3. The FSA is authorised pursuant to section 45(2) of the Act to cancel an authorised firm's Part IV permission where it appears that any of the reasons set out in section 45(1) are satisfied which include failing, or being likely to fail, to satisfy the Threshold Conditions.

FSA's policy for exercising its power to cancel a Part IV permission

- 3.4. The FSA's policy in relation to the decision to cancel a firm's Part IV permission is set out in Chapter 8 of the FSA's Enforcement Guide ("EG").
- 3.5. In particular, EG8.5 sets out the circumstances in which the FSA will consider varying a firm's Part IV permission, which include those where it has serious concerns about a firm or about the way its business is being or has been conducted, for example where it appears to the FSA that the firm appears to be failing, or appears likely to fail, to satisfy the Threshold Conditions in relation to one or more, or all, of the regulated activities for which the firm concerned has Part IV permission.
- 3.6. EG8.13 states that the FSA will consider cancelling a firm's Part IV permission in two main circumstances: where the FSA has very serious concerns about a firm, or the way its business is or has been conducted or where the firm's regulated activities have come to an end and it has not applied for cancellation of its Part IV permission.

Guidance concerning Threshold Condition 4: Adequate resources (paragraph 4, Schedule 6 to the Act) - COND2.4

- 3.7. COND gives guidance on the Threshold Conditions set out in Schedule 6 of the Act.
- 3.8. COND2.4.1D(1) reproduces the relevant statutory provision that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on, or carries on.

- 3.9. COND2.4.2G(2), in giving guidance on the interpretation of “adequate resources”, says the term “adequate” means sufficient in terms of quantity, quality and availability, and defines “resources” as including all non-financial resources such as human resources and effective means by which to manage risks.
- 3.10. COND2.4.4G(2)(d) says that relevant matters, when assessing whether a firm has adequacy of resources, will include whether the firm has taken reasonable steps to identify and measure any risks of regulatory concern that it may encounter in conducting its business and has installed appropriate systems and controls to measure them prudently at all times.

Guidance concerning Threshold Condition 5: Suitability (paragraph 5, Schedule 6 to the Act) – COND2.5

- 3.11. COND2.5D(1) reproduces the relevant statutory provision that the person concerned must satisfy the FSA that it is a fit and proper person having regard to all the circumstances including the nature of any regulated activity that it carries on or seeks to carry on and the need to ensure that its affairs are conducted soundly and prudently.
- 3.12. COND2.5.2G: Threshold Condition 5 (Suitability) requires the firm to satisfy the FSA that it is “fit and proper” to have Part IV permission having regard to all the circumstances, including its connections with other persons, the range and nature of its proposed (or current) regulated activities and the overall need to be satisfied that its affairs are and will be conducted soundly and prudently (see also PRIN and SYSC).
- 3.13. COND2.5.4G in giving guidance on the determination of whether a firm will satisfy and continue to satisfy Threshold Condition 5, provides that the FSA will consider the circumstances of each firm on a case-by-case basis, having regard to all relevant matters (to the extent that they are significant) including whether the firm conducts its business with integrity and in compliance with proper standards, whether it has a competent and prudent management and can demonstrate that it conducts its affairs with the exercise of due skill, care and diligence.

3.14. COND2.5.6G, in giving guidance on the interpretation of whether a firm will satisfy and continue to satisfy Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards gives examples of relevant matters which include:

- (1) whether the firm has been open and co-operative in all its dealings with the FSA, and is ready willing and organised to comply with the requirements under the regulatory system and other legal regulatory and professional obligations (COND2.5.6G(1));
- (2) whether the firm has contravened any provisions of the Act, regulatory system, or any statements of principles (COND2.5.6G(4));
- (3) whether the firm has taken reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system applicable to it (COND2.5.6G(6)); and
- (4) whether the firm has put in place procedures which are reasonably designed to:
 - (a) ensure that it has made its employees aware of and compliant with those requirements and standards under the regulatory system that are applicable to it; and
 - (b) determine that its employees are acting in a way compatible with the firm adhering to those requirements and standards (COND2.5.6G(7)).

3.15. COND2.5.7G provides guidance on the determination of whether a firm satisfies Threshold Condition 5 in respect of having competent and prudent management and exercising due skill, care and diligence. Relevant matters include whether the firm's governing body is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities and whether the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards under the regulatory system.

The FSA's Principles for Businesses

- 3.16. Section 138 of the Act provides that the FSA may make such rules applying to authorised persons as appear to it to be necessary or expedient for the purpose of protecting the interests of consumers.
- 3.17. Pursuant to section 138, the FSA has published the Principles for Businesses (“the Principles”) which apply either in whole or in part to all authorised persons.
- 3.18. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and reflect the FSA’s regulatory objectives. In substance, the Principles express the main dimensions of the “fit and proper” standard set for firms in Threshold Condition 5, although they do not derive their authority from that standard or exhaust its implications.
- 3.19. Being ready, willing and organised to abide by the Principles is therefore a critical factor in an application for Part IV permission and breaching the Principles may call into question whether a firm with Part IV permission is still fit and proper (PRIN1.1.4G).
- 3.20. Principle 7 requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
- 3.21. Principle 9 requires a firm to take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. HSL is a retail mortgage intermediary based in Redditch, Worcestershire. Until February 2007, it advised on regulated mortgage contracts principally for local authority and housing association tenants in relation to the purchase of their homes at

a discounted market rate under the “Right To Buy” scheme (“RTB”). It also arranged remortgages for existing clients who had previously bought under the RTB scheme and provided secured loans.

- 4.2. HSL became authorised by the FSA on 31 October 2004 to carry on the following regulated activities in relation to regulated mortgage contracts:
 - (1) advising on regulated mortgage contracts;
 - (2) agreeing to carry on a regulated activity; and
 - (3) arranging (bringing about) regulated mortgage contracts;
- 4.3. On 14 January 2005, HSL was granted permission to carry on the additional regulated activity in relation to non-investment insurance contracts of arranging (bringing about) deals in investments.
- 4.4. HSL recommended 326 completed regulated mortgage contracts between 1 April 2005 and 31 December 2006.
- 4.5. The majority of HSL’s sales involved the RTB scheme, which was introduced under the 1980 Housing Act and gave qualifying tenants the right to buy their homes. Under the RTB scheme tenants can receive a maximum discount to help them purchase their home (up to 60% if the property is a house, and 70% if the property is a flat, subject to maximum cash limits varying by region).
- 4.6. Under the terms of the Housing Act 2004, if the property is sold within the first five years (the pre-emption period) the owners are required to repay part of, or all of the entire discount (“discount repayment”). The amount of discount to be repaid if a property is sold within five years is a percentage of the market value of the property.
- 4.7. Particular care should be taken with regards to ensuring the affordability of RTB scheme mortgages for the following reasons.

(1) As a tenant, the client may have been able to claim housing benefit to help with rent payments but, as an owner, they will not receive any housing benefit to help with paying the mortgage and may have to wait 39 weeks before they can claim any income support.

(2) Where a property which was purchased using a RTB scheme mortgage has been repossessed as a result of failing to meet mortgage repayments, the local authority may class the client as “intentionally homeless” and in those circumstances would not be under any obligation to re-house them.

4.8. HSL’s most recently submitted Retail Mediation Activities Return (for the period ended 30 September 2006) showed that HSL employed eight advisers.

5. FAILURE TO SATISFY THE THRESHOLD CONDITIONS

Threshold Condition 4 (Adequate resources)

5.1. On the basis that HSL’s advisers were not suitably qualified to give advice on regulated mortgage contracts to its clients, and because HSL had no plans to address the deficiencies on an ongoing basis, the FSA concluded that HSL is therefore failing and will continue to fail to satisfy Threshold Condition 4 because it does not have adequate human resources.

Analysis of the failure to satisfy Threshold Condition 4

5.2. HSL had no effective arrangements in place to ensure that all of its advisers were suitably qualified to give advice on regulated mortgage contracts to its clients. Only one person at HSL, a “trainee adviser”, had obtained the required three parts of the CeMAP qualification. None of HSL’s other advisers had passed (or sat the examination for) either CeMAP module 1 or module 3; and only two of HSL’s advisers had passed CeMAP module 2. Therefore none of HSL’s advisers could have been assessed as “competent”, and HSL should not have permitted them to provide advice on regulated mortgage contracts to clients, even under supervision.

Threshold Condition 5 (Suitability)

- 5.3. By virtue of the facts and matters referred to in section 4 above, and because HSL has no plans to address the deficiencies on an ongoing basis, the FSA concluded that HSL is not a fit and proper person having regard to all the circumstances including the nature of the regulated activities that it carries on, and its failure to ensure that its affairs are conducted soundly and prudently.

Analysis of the failure to satisfy Threshold Condition 5

- 5.4. The FSA found no evidence that HSL maintained records of monitoring of each adviser's training and competence. Two of the advisers the FSA interviewed appeared to have insufficient knowledge of the monitoring of their activities by HSL's management.
- 5.5. HSL failed to demonstrate to the FSA's satisfaction that it had taken reasonable steps to ensure that client files were reviewed and that the suitability of the advice was monitored and assessed, or that issues of concern were being reported to senior management. HSL explained that its compliance officer was responsible for signing off the "Needs and Demands statement", a document designed to assess whether the recommended product was suitable for each client. This procedure was inadequate to monitor the quality and suitability of advice, as demonstrated by HSL's failure to identify and remedy the concerns identified by the FSA.
- 5.6. HSL had no procedures in place with regard to non-advised sales during the period in issue.
- 5.7. The failings in HSL's sales processes were such that customers have been exposed to the risk of being recommended products that are not suitable.
- (1) HSL failed to implement adequate procedures to ensure that copies of important documents (such as the mortgage application, HSL's Initial Disclosure Document and any Key Facts Illustration) were retained on client files. This failure impacted on HSL's capacity to carry out effective

monitoring of its sales processes, including its processes for ensuring the suitability of recommendations made to clients.

- (2) HSL was not able to demonstrate that it had gathered sufficient information about clients' personal and financial circumstances, or that it had adequately assessed affordability and suitability prior to recommending mortgage contracts to its clients. In particular, there was no record that HSL had adequately assessed each client's disposable income. For example, the cost of items such as utility bills, food, childcare and travel appeared not to have been taken into consideration. As a result, HSL could not readily demonstrate that clients could afford to enter into the recommended regulated mortgage contracts.
- (3) In 10 cases of the 20 reviewed, HSL recommended mortgage contracts which extended beyond the clients' retirement ages in circumstances where there was no record of any discussion of the means by which the clients would fund mortgage payments post-retirement. In one file reviewed, joint applicants each due to retire within three to four years were sold a mortgage the term of which would continue for a further 15-16 years after retirement age, but there was no record of any consideration of how the clients would continue to fund the mortgage payments once in retirement.
- (4) In 2 cases of the 20 reviewed, although HSL offered only an advised sales process, clients rejected HSL's recommendation that they should purchase a capital and interest repayment mortgage and instead opted for an interest only mortgage. HSL did not, as would have been appropriate, switch from an advised to a non-advised process.
- (5) In a further 5 cases where interest only mortgages were selected, there was no record of suitability on file documenting HSL's recommendation to the clients, and therefore there was no record on files demonstrating why an interest-only mortgage was suitable for the clients. In 4 of these cases, the information

gathered during the fact find process identified the clients as having a cautious attitude to risk. However there was no record that the option of a capital and interest repayment mortgage had been discussed with the clients.

- (6) In 9 cases of the 20 reviewed, the clients self-certified their income in circumstances in which there was no record that the implications of doing so were explained to them by HSL. In 5 of these cases the clients were not self employed.
- (7) In 4 cases of the 20 reviewed, HSL sold clients regulated mortgage contracts which did not meet the clients' stated needs. Clients were provided with several product options by HSL (despite the fact that HSL offered an advised sales process) and left to select the product they wished to purchase. The outcome of this was that these clients purchased products which did not meet their stated needs, for example, products with an extended tie in after expiry of the initial incentive period.
- (8) In 8 cases of the 20 reviewed, there was no evidence that had HSL explained to the clients the financial implications of either adding fees to the mortgage amounts or consolidating their debts. There is no evidence that HSL informed the clients that adding fees to their mortgage would accrue additional interest, nor that the implications of converting unsecured debt to secured debt had been explained.
- (9) In 9 cases of the 20 reviewed, it appeared that HSL had contacted clients as part of a routine review, as a consequence of which the clients applied to re-mortgage, in some cases just 12 months after the original mortgage, borrowing additional funds in order to consolidate debts. Re-mortgaging led to the clients incurring an early repayment charge and there was no record on file to explain why HSL had considered a re-mortgage suitable for the client in those circumstances, nor whether the client's original lender had been approached prior to the client's application to a new lender.

- (10) HSL was not able to demonstrate that it had explained to its clients the financial implications of adding fees to the mortgage amount or of consolidating debts by means of their mortgage. There was no evidence that HSL's clients had been informed that interest would accrue in respect of any fees added to their mortgage amount or that the implications of converting unsecured debt to secured debt were explained to them.
 - (11) HSL sold regulated non investment insurance contracts, and in 7 cases of the 20 reviewed clients purchased single premium PPI, but there was no evidence that HSL had provided such clients with either a statement of demands and needs or a pricing statement, as is required. HSL was not aware of the requirement to provide such statements. There was also no evidence that the implications of adding such costs to the mortgage amount had been explained to the clients.
 - (12) In 2 cases of the 20 reviewed, the Key Facts Illustration ("KFI") on file did not correspond to the mortgage contract applied for. In one case the KFI showed a variable mortgage rated product and the mortgage application stated a fixed rate product. In the other case the KFI showed a self certification mortgage product and the mortgage application referred to a full status loan. These changes should have led HSL to issue a revised KFI to the clients, but the FSA found no evidence that HSL did so.
- 5.8. In view of the FSA's concerns about the operation of HSL's complaints handling procedure, HSL agreed to undertake a review of the case notes for all live cases since 31 October 2004.
- 5.9. The FSA considers that the failings revealed serious systemic weaknesses in HSL's management and control arrangements.
- 5.10. HSL's senior management failed to demonstrate a sufficient understanding of HSL's obligations under the regulatory system. They failed to recognise the failings of the firm until they were identified by the FSA during the visit on 9 and 10 January 2007,

more than two years after HSL became authorised to carry out activities in respect of regulated mortgage contracts.

- 5.11. The deficiencies in HSL's sales processes and systems and controls led to clients being exposed to the risk of being given unsuitable advice in relation to mortgage contracts. HSL provided advice in relation to the sale of 326 regulated mortgage contracts between 1 April 2005 and 31 December 2007¹.
- 5.12. In the FSA's view, HSL's failings amount to a breach of the requirement to take reasonable steps to ensure the suitability of its advice for its customers, as required by Principle 9, and a breach of the requirement to pay due regard to the information needs of its clients and to communicate information to them in a way which is clear, fair and not misleading, as required by Principle 7.
- 5.13. In the circumstances, HSL agreed to appoint a skilled person to report on a sample of HSL's past business, and in principle, seek to pay redress to customers where it is considered appropriate.

6. CONCLUSIONS

- 6.1. The facts and matters described above lead the FSA, having regard to its regulatory objectives, to the following conclusions:
 - (1) None of HSL's (non-trainee) advisers were suitably qualified to provide advice to clients on the sale of regulated mortgage contracts;
 - (2) HSL was not operating effective systems for training, supervision, assessment and monitoring of advisers;
 - (3) HSL's complaints handling was not operating effectively in all cases;

¹ Source: product sales data available to the investigators at the time of the investigation.

- (4) HSL was not able to demonstrate the suitability of some of the mortgages it had recommended;
- (5) HSL has failed to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading and has therefore failed to comply with Principle 7 and HSL, in having unqualified staff, has failed to ensure the suitability of its advice and has therefore failed to comply with Principle 9 and therefore failed to satisfy the FSA that HSL is willing and organised to comply with the requirements and standards under the regulatory system and its legal obligations;
- (6) HSL has failed to satisfy the FSA that it has conducted its business soundly and prudently and in compliance with proper standards and that it is fit and proper having regard to all circumstances. These failures are significant in the context of HSL's suitability; and
- (7) HSL has therefore failed to satisfy the Threshold Conditions in relation to the regulated activities for which it has Part IV permission.

7. DECISION MAKER

- 7.1. The decision which gave rise to the obligation to give this notice was made by the Settlement Decision Makers on behalf of the FSA.

8. IMPORTANT

- 8.1. This Final Notice is given to you in accordance with section 390 of the Act.

Third party rights

- 8.2. A copy of this Final Notice is being given to the former director of HSL as a third party to whom in the opinion of the FSA the matter is likely to be prejudicial.

Publicity

- 8.3. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.
- 8.4. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

- 8.5. For more information concerning this matter generally, you should contact Chris Walmsley (direct line: 020 7066 5894) of the Enforcement Division of the FSA.

Jonathan Phelan
Head of Department
Enforcement Division

ANNEX

Excerpts from the part of the FSA Handbook entitled *Mortgages and Home Finance: Conduct of Business* (“MCOB”) and the part of the FSA Handbook entitled *Insurance: Conduct of Business*, referred to in paragraph 3.22 of this Notice

MCOB 4.7.2R

A firm must take reasonable steps to ensure that it does not make a personal recommendation to a customer to enter into a regulated mortgage contract, or to vary an existing regulated mortgage contract, unless the regulated mortgage contract is, or after the variation will be, suitable for that customer (see MCOB 4.3.4 R (2), MCOB 4.3.5 G and MCOB 4.3.6 G).

MCOB 4.7.4R

For the purposes of MCOB 4.7.2 R:

- (1) a regulated mortgage contract will be suitable if, having regard to the facts disclosed by the customer and other relevant facts about the customer of which the firm is or should reasonably be aware, the firm has reasonable grounds to conclude that:
 - (a) the customer can afford to enter into the regulated mortgage contract;
 - (b) the regulated mortgage contract is appropriate to the needs and circumstances of the customer; and
 - (c) the regulated mortgage contract is the most suitable of those that the firm has available to it within the scope of the service provided to the customer;
- (2) no recommendation must be made if there is no regulated mortgage contract from within the scope of the service provided to the customer which is appropriate to his needs and circumstances; and
- (3) if a firm is dealing with an existing customer in arrears and has concluded that there is no suitable regulated mortgage contract for the purposes of MCOB 4.7.2 R, the firm must nonetheless have regard to MCOB 13.3.2 E(1)(a), (e) and (f) (see also MCOB 13.3.4 G(1)(a) and (b)).

MCOB 4.7.6R

In relation to MCOB 4.7.4 R(1)(a) and (b), where a firm makes a personal recommendation to a customer to enter into a regulated mortgage contract where a main purpose is to consolidate existing debts it must also take account of the following, where relevant, in assessing whether the regulated mortgage contract is suitable for the customer:

- (1) the costs associated with increasing the period over which a debt is to be repaid;
- (2) whether it is appropriate for the customer to secure a previously unsecured loan; and
- (3) where the customer is known to have payment difficulties, whether it would be more appropriate for the customer to negotiate an arrangement with his creditors than to take out a regulated mortgage contract.

MCOB 5.5.8R

Where a firm has already provided an illustration in accordance with MCOB 5.5.1 R and the terms for the proposed regulated mortgage contract are subsequently materially altered, the firm must ensure that the customer is provided with a revised illustration, before acting on the amendment, when the change occurs at the point at which a customer submits an application for the regulated mortgage contract.

ICOB 5.5.14R

A statement of price must include the following information:

- (1) the total amount of the premium for the non-investment insurance contract or, if the premium cannot be indicated, the basis for the calculation of the premium enabling the retail customer to verify it;
- (2) for non-investment insurance contracts of more than one year, details of the period for which the premium is valid, whether it will be reviewed at a certain time or at set periods and, if so, when it will be reviewed;
- (3) fees, administrative charges and taxes payable by the retail customer via the insurance intermediary in addition to the premium. Fees and administrative charges include any interest payable on the premium, including where the premium is paid by way of a credit agreement taken out either for payment of the premium only or for the purpose of purchasing goods or services as well;
- (4) a statement identifying separately the possibility of any taxes not payable via the insurance intermediary;
- (5) where the non-investment insurance contract is purchased in connection with other goods or services:
 - (a) the premium for the non-investment insurance contract, separately from all other prices in relation to the other goods or services, if an additional price is charged; and

- (b) whether purchase of the non-investment insurance contract is a requirement of purchasing the other goods or services or not; and
- (6) the total price to be paid by the retail customer for the non-investment insurance contract.