

MS16/2.2: Annex 1

Market Study

Mortgages Market Study

Interim Report: Annex 1 – Views from stakeholders on
the Terms of Reference

May 2018

Annex 1: Views from stakeholders on the Terms of reference

We received 13 written responses from intermediaries, lenders, PCWs and trade bodies to our terms of reference. In general, the respondents:

- supported the scope of our market study in terms of focusing on first-charge residential mortgages and the questions we sought to answer
- felt that tools currently available in the market do not provide consumers with enough information to make effective choices
- felt that switching is important and that more could be done to reduce barriers to switching and ensuring consumer stay engaged
- supported our intention to look at a wide range of commercial arrangements

None of the responses to our terms of reference indicated a need to change the terms of reference.

Introduction

1. In this Annex we summarise the issues raised in the stakeholder responses to our terms of reference. The responses largely supported the scope of the market study.
2. In the sections below we consider the comments and set out some observations.

Scope of the market study

3. The majority of respondents supported the scope of our market study. Respondents agreed with our decision to concentrate on first-charge residential mortgages, as well as the questions we sought to answer.
4. Some respondents made specific suggestions of areas we should look into. These included further probing into mortgage sourcing systems, and sales of related financial products like protection and home insurance. It also covered whether PCWs are complying with our rules about consumers making a positive choice to add fees to the loan.
5. The primary purpose of the study is not to establish whether firms are complying with our rules. In relation to sales of other financial products, we note that the focus of the study was consumers' ability to make effective decisions about their mortgage. As a result we have not looked into sales of related products. The role of mortgage sourcing systems is within scope of the study.

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6. In light of the comments we did not consider it necessary to change the scope of the market study.

Technology, innovation and tools

7. A number of respondents felt that tools currently available in the market do not give consumers enough information to make effective choices. PCWs commented that consumers have difficulty finding information online about the products for which they qualify. Some respondents felt that there should be more clarity about what constitutes advice in online distribution.
8. Questions around how consumers use different tools (including advice) and their effectiveness are an integral part of our market study. We have also looked in detail at the possibilities for online intermediation.

Switching

9. To understand the impact on consumers of choice of distribution channel, intermediaries felt it was important to consider both the internal and external switching market in order to take account of direct sales by lenders. PCWs felt that more could be done to reduce barriers to switching to keep consumers engaged.
10. Both of these issues are within the scope of the market study and we have analysed them extensively.

Commercial arrangements

11. Respondents supported our intention to look at commercial arrangements in the mortgage market. This includes arrangements between lenders, intermediaries and other market participants, to give a rounded view of the market.
12. A few respondents remarked on the significant role that intermediaries play in the market. One commented that conveyancing panels used by lenders restrict consumers' choice of conveyancer.
13. Given the FCA's remit and the focus of the study on choice of mortgage, we considered the relationships between conveyancers and lenders only insofar as they affected consumers' ability to get a mortgage. We have not considered any impact on the conveyancing market.

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