

MS16/2.2: Annex 2

Market Study

Mortgages Market Study

Interim Report: Annex 2 - Sources of evidence

May 2018

Annex 2: Sources of evidence

Source	Description
Regulatory Returns Data	We analysed the core dataset of historical mortgage transactions in our Product Sales Data, PSD001 and stock of mortgages in PSD007. These are confidential data that are reported to us by lenders. The data contain detailed information about each transaction (including date, lender, intermediary, amount borrowed, rate type, postcode, purchase price, customers' date of birth, and historical adverse credit events).
Information and additional data request	<p>We obtained more detailed information (including product/service design, distribution strategies, retention strategies and relationships with existing customers, relationships between market participants and tools that consumers use in decision making) from 48 firms, representing a range of business models, strategies and sizes, including:</p> <ul style="list-style-type: none"> • 21 lenders (two of which are lifetime lenders) • 15 intermediary firms (three of which are lifetime intermediary firms) • 4 PCWs • 3 Mortgage Sourcing Systems (MSSs) • 3 estate agents (all of which were part of group structures that included intermediaries) • 2 mortgage clubs <p>18 lenders also submitted data, for example on internal switches. These allowed us to supplement the transaction and account level data we routinely gather through PSD. These 18 lenders cover around 90% of the market.</p>
Credit data	We used credit reference bureau data from one of the large UK agencies to match PSD transactions with consumers' credit score. These were used together with other variables on consumer credit history, indebtedness and usage of other financial products.
Product data	We used data on mortgage products from Moneyfacts. We also used publicly available product information provided by Land Registry and Office of National Statistics to match PSD001 transactions with additional information on product characteristics.

<p>Consumer survey¹</p>	<p>We used quantitative insights from our Financial Lives Survey 2017² based on results from 12,865 UK adults of which 1,255 responded to detailed residential mortgage questions³. The responses were weighted to represent UK residential holders aged 18 and over.</p> <p>We also did qualitative interviews with a small sample of respondents.</p>
<p>Firm surveys</p>	<p>We surveyed intermediary firms and lenders to gather general information on firms' business models and sales. We received responses from:</p> <ul style="list-style-type: none"> • 906 directly authorised intermediary firms (of which 31 are network principals) • 68 lenders <p>We also ran an additional survey in which 6 intermediaries collected information on the reasons why each of the clients they saw faced barriers to switching. This was run over a 3-week period.</p>
<p>Consumer research</p>	<p>We refer to ESRO's 2015 publication 'Understanding consumer expectations of the sales process'. We commissioned this research to understand consumer expectations and experiences of the mortgage application process after the introduction of the Mortgage Market Review (MMR) reforms on the 26th April 2014. This formed part of our wider thematic review of mortgage advice and distribution post-MMR⁴.</p>
<p>Desk-based research</p>	<p>We reviewed information and tools offered online (in July and August 2017) by 8 PCWs; 6 lender websites; 4 intermediary websites; and 3 websites that help consumers find an intermediary.</p>
<p>Meetings</p>	<p>We conducted follow up meetings with many of the firms that completed our information request, as well as some other firms. This included 13 lenders, 11 intermediary firms, 3 PCWs, 2 MSSs, 5 estate agents, 3 mortgage clubs and 2 developers.</p>

¹ As with all consumer surveys and research, the outputs should be interpreted with a degree of caution, since they reflect what consumers perceive or think about their experiences or the products they own.

² <https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf>

³ Those responding to the mortgage module included the holders of regulated residential mortgages including homebuyers, those porting their mortgage to a new property and those switching to a new lender (external switch) or switching product with the same lender (internal switch). The number of respondents with a Lifetime mortgage was too small for us to undertake any meaningful analysis and so these have been excluded.

⁴ <https://www.fca.org.uk/publication/research/understanding-consumer-expectations-of-the-mortgage-sales-process-esro.pdf> As with all consumer surveys and research, the outputs should be interpreted with a degree of caution, since they reflect what consumers perceive or think about their experiences or the products they own.

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