

Policy Statement

PS25/11

Mortgage Rule Review:
First steps to simplify our rules
and increase flexibility

July 2025

This relates to

Consultation Paper 25/11 which is available on our website at www.fca.org.uk/publications

Email:

cp25-11@fca.org.uk

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form if you require this content in an alternative format](#).

Or call 0207 066 1000



Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Contents

Chapter 1	Summary	Page 4
Chapter 2	Mortgage advice and interactive dialogue.	Page 10
Chapter 3	Affordability assessments when reducing a mortgage term	Page 17
Chapter 4	Amending affordability assessments when remortgaging	Page 23
Chapter 5	Retiring FG13/7 and FG24/2	Page 29
Chapter 6	Equality and diversity, implementation period and cost benefit analysis questions	Page 32
Annex 1	List of non-confidential respondents	Page 42
Annex 2	Abbreviations used in this paper.	Page 44
Appendix 1	Made rules (legal instrument)	

Chapter 1

Summary

- 1.1** This Policy Statement (PS) concerns regulated mortgages. This group primarily consists of mortgages for owner-occupiers. But other types of regulated mortgage contract may be affected, including secondary (second-charge) mortgages and lifetime or equity release mortgages, which serve specific use cases and are usually considered separate markets. Mortgage products such as buy-to-let loans and business mortgages are mostly not regulated by the FCA and out of scope of this PS.
- 1.2** The regulatory reforms introduced after the 2008 financial crisis have improved standards across the mortgage market. Lenders and borrowers have demonstrated resilience in the face of significant economic shocks and fluctuations in interest rates. Overall arrears and possessions have been at historic lows.
- 1.3** More recently, the introduction of the Consumer Duty (the Duty) has set higher standards for consumer protection across retail financial services. The Duty represents a significant change in approach. We now want to give lenders and borrowers more flexibility, whilst still ensuring firms act to deliver good consumer outcomes.
- 1.4** Our 5-year strategy focuses on 4 priorities: being a smarter regulator, fighting financial crime, helping consumers navigate their financial lives, and supporting sustained economic growth.
- 1.5** As the first steps of our Mortgage Rule Review (MRR), we consulted (CP25/11) on how we can make it easier, faster and cheaper for consumers to:
- speak to a mortgage provider about their mortgage needs
 - reduce their mortgage term
 - remortgage with a new lender
- 1.6** We also proposed to retire 2 pieces of non-Handbook Guidance that have served their purpose, to reduce the burden on firms.
- 1.7** This PS summarises the feedback we received and sets out our final rules which are permissive in nature. We anticipate that firms' adoption of the flexible approaches these permissive rules allow will be gradual, and the impact on consumers likewise.
- 1.8** We have finalised most of the rules and guidance broadly as we had consulted on, with some small changes (described below) made in light of feedback.
- 1.9** As the next step of our rule review, on 25 June 2025 we opened a public discussion on the future of the mortgage market by publishing DP25/2. This will help build on the changes made in this Policy Statement. We set out areas where changes may be needed to support sustainable home ownership and economic growth, and where increased flexibility could allow firms to innovate and tailor their product offerings to consumers' evolving needs. Once the DP feedback period closes (19 September 2025), we will consider responses and decide our next steps.

Who this affects

1.10 This PS will be of interest to:

- mortgage lenders and administrators
- home purchase providers and administrators
- mortgage intermediaries
- industry groups and trade bodies
- consumer groups and organisations
- mortgage consumers

What we are changing

1.11 We have made some changes to the draft instrument we consulted on, so that the rules and guidance work as intended. We do not consider the changes to the rules and guidance as consulted on are significant for the purposes of s138(5) FSMA 2000, nor do they have an impact on the compatibility statement in CP25/11.

1.12 We are finalising our rules and guidance in the following ways.

Mortgage advice and interactive dialogue

1.13 We are removing the interaction trigger at MCOB 4.8A7R (3) and associated rules and guidance. The change will mean interactions between a firm and their customers will not immediately trigger advice. This will allow easier interactions between firms and their customers, while helping to ensure advice is provided when needed. It will also make it easier for customers to get the right information and products.

1.14 We are introducing a rule that requires firms to consider what procedures are appropriate to identify execution-only customers for whom advice, or other customer support, may be necessary to avoid causing foreseeable harm, as part of meeting their obligations under the Duty.

1.15 We have listened to feedback, particularly the suggestions that customers who have interactive dialogue and go on to make an execution-only sale may think they have been advised. To mitigate this, we have maintained the requirement for 'positive election' in such cases. This means a consumer must confirm that they are aware of the consequences of losing the protections of the rules on assessing suitability, and wish to proceed with an execution-only sale.

Affordability assessments when reducing a mortgage term

1.16 We are removing the requirement for a full affordability assessment when reducing the term of a mortgage.

- 1.17** We still expect firms to consider affordability in line with their responsible lending policy and the Duty/PRIN 2A where they choose to use these changes. For example, firms must act to avoid causing foreseeable harm and must monitor and regularly review the outcomes customers are experiencing.

Amending affordability assessments when remortgaging

- 1.18** We are amending the modified affordability assessment (MAA) to include new mortgage contracts with new lenders where it is more affordable than either:
- A customer's current mortgage, or
 - A new mortgage product that is available to that customer from their current lender.

Retiring guidance

- 1.19** We are retiring 2 pieces of non-Handbook guidance – [FG13/7](#) and [FG24/2](#) – which have each served their purpose.
- 1.20** We are introducing a rule and guidance into the Handbook to clarify that firms must deal fairly with customers whose mortgage terms have expired. Firms must not take repossession action unless all other reasonable attempts to resolve the position have failed. These requirements are supported by the Duty.

Gibraltar

- 1.21** In addition, we will be adding a rule to clarify that these changes will apply to any Gibraltar-based mortgage lenders who may want to lend within the UK in the future.
- 1.22** Our latest data shows there are a small number of Gibraltar-based mortgage lenders with permission to enter into mortgage contracts in the UK.

How it links to our objectives

Consumer Protection

- 1.23** Our rule changes will allow firms to improve consumer choice. The safeguards around execution-only sales and the Duty's obligations help ensure consumers can make an informed choice to receive personalised information without receiving advice, if they prefer.
- 1.24** The changes will also enable firms to take a simpler, more tailored and risk-sensitive approach to term reductions, while maintaining an appropriate degree of protection through the Duty, and in line with a firm's responsible lending policy.
- 1.25** The changes allow for simpler affordability assessments where a proposed remortgage is on similar terms to an existing contract, but more affordable than a new deal indicated by a customer's existing lender.

- 1.26** Retiring non-Handbook guidance covering maturing interest-only (IO) mortgages, to rely instead on the Duty, provides up-to-date standards for firms to deliver good outcomes for both existing and future customers.

Competition

- 1.27** Our rule changes will allow intermediaries to add value by focusing on consumers with more complex needs and those who opt to seek advice. Our changes to make remortgaging easier will encourage innovation and enable further competition, both for open market remortgage products and product transfers, benefiting existing mortgage consumers.

Secondary international competitiveness and growth objective

- 1.28** Changes to our advice rules should also result in more efficient transactions for firms and consumers. Retiring guidance which had fulfilled its purpose simplifies our framework, ensuring it remains proportionate.

Outcome we are seeking

- 1.29** We want consumers to have more choice in how they deal with their mortgage. Our changes will make it easier for consumers to:
- engage with their mortgage provider without the firm always having to provide mortgage advice when it is not needed or wanted
 - reduce their mortgage term, lowering the total cost of borrowing and reducing the balance of mortgage debt taken into later life
 - more easily access more affordable products when remortgaging
- 1.30** Removing non-Handbook guidance will streamline mortgage regulation by reducing the different sources firms have to check to understand regulatory expectations.

Measuring success

- 1.31** We will evaluate the success of the changes through our supervision of firms and monitoring regulatory returns, including complaints data.
- 1.32** The key indicators we will use are:
- changes in customer use of execution-only channels
 - the changing profile of mortgage terms extending past the state pension age
 - levels of external remortgaging activity and the proportion of transactions using an MAA
 - the stock and maturity profile of pre-2014 interest-only mortgages, including loans past maturity, time to redemption and repossession activity

- 1.33** We will develop further key indicators to evaluate the overall success of the Mortgage Rule Review after we have analysed the responses to DP25/2.

Summary of feedback and our response

- 1.34** We received 47 consultation responses from firms, trade associations, consultancies, consumers, consumer bodies and a charity.
- 1.35** Overall, lenders were supportive of our proposals. Some lenders requested further guidance on our expectations regarding either our new rules or the Consumer Duty. Mortgage intermediaries, and their trade associations, were not supportive of the proposed changes to our advice rules. Consumer groups and some individuals supported certain proposals but were concerned that retiring the IO guidance (FG13/7) would reduce the protection available to consumers. Several respondents welcomed our intention to boost competition, allow firms additional flexibility to meet the needs of their customers, and remove friction and prescription from transactions.
- 1.36** Having considered the responses, we are proceeding with the majority of the rule and guidance changes proposed in CP25/11, with 2 exceptions:
- We have removed the automatic requirement for advice, in most of the transactions, where there is interactive dialogue between firms and customers during the sale of a regulated mortgage contract. However, we will continue to require these customers to make a positive election to proceed on an execution-only basis, reducing the risk that they are unclear on whether they have received advice.
 - In addition, we have clarified that firms must consider what procedures are appropriate to avoid causing foreseeable harm, adding the word 'causing' into the final rule.
- 1.37** We will not be issuing further guidance in relation to the new rules or the Consumer Duty, to avoid further prescription and maintain our focus on good customer outcomes.
- 1.38** We have made some additional minor changes to the draft instrument we consulted on, so that the rules and guidance work as intended.
- 1.39** Some responses were not directly relevant to the proposals in CP25/11, and as such we have excluded these responses. However, where relevant, we will consider these alongside responses received to DP25/2.
- 1.40** We have set out more details on the feedback received and our responses in Chapters 2 to 6.

Environmental, social and governance considerations

- 1.41** In developing this PS, we have considered the environmental, social and governance implications of our proposals and our duty under sections 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets.

Equality and diversity considerations

- 1.42** We do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (the relevant parts of the Equality Act 2010 do not extend to Northern Ireland, but other anti-discrimination legislation applies).
- 1.43** 16 respondents provided feedback on this, however some of this feedback did not relate to groups with protected characteristics under the Equality Act 2010. Our assessment of the impact of these changes on groups with protected characteristics remains unchanged from CP25/11.

Next steps

- 1.44** The changes to our rules, which are permissive in nature, will come into force immediately. We know firms who want to use these rule changes will need time to implement them and so we do not expect that consumers will be able to take advantage of the flexibility they provide immediately.
- 1.45** The withdrawal of the relevant non-Handbook guidance will come into force immediately.

Chapter 2

Mortgage advice and interactive dialogue

- 2.1** The following chapters summarise the feedback to our mortgage advice and selling standards and the retirement of non-handbook guidance.
- 2.2** This chapter outlines our response to the feedback on our proposals for amending the interaction trigger.
- 2.3** We consulted on removing the interaction trigger at MCOB 4.8A.7R (3), and associated rules and guidance.
- 2.4** We also proposed introducing a rule that requires a firm to consider what procedures are appropriate to identify execution-only customers for whom advice, or other customer support, may be necessary to avoid causing foreseeable harm as part of meeting its obligations under the Duty.
- 2.5** We asked:

Question 1: Do you agree with our proposed changes to MCOB to remove the interaction trigger?

- 2.6** A wide range of respondents, including lenders, trade associations and consumer bodies broadly supported our proposal. Some said it would improve their interactions with customers. A trade association said allowing customers that would otherwise engage online to interact with a firm and ask questions would give the firm an opportunity to identify if a customer was at risk of a poor outcome. However, another respondent was concerned about whether consumers would fully understand that an execution-only sale was the customer's decision.
- 2.7** Most intermediaries and their trade associations were not in favour of the proposal and raised concerns that we did not appreciate the value of advice for consumers (all, or some groups). Several respondents were concerned that the proposal would result in vulnerable or less financially literate consumers making complex decisions without advice or that it would reduce the opportunities firms have to identify characteristics of vulnerability.
- 2.8** Several respondents raised concerns that consumers who proceed without advice may then be less aware that protection products (such as critical illness) are available to them or that, e.g. where their circumstances have changed, they may have inadequate protection. A trade association was also concerned about the loss of income this change may mean for intermediaries.
- 2.9** A trade association said that our proposal risked restricting access to advice. They were concerned that execution-only consumers could have to pay non-refundable booking fees to lenders before they knew they were eligible for the product. They also thought execution-only customers would be unlikely to choose the cheapest rate available, and that an intermediary would be able to review rates as an application progressed and monitor whether a rate had reduced.

- 2.10** A trade association said that the time commitment from a consumer perspective of an advised sale and a non-advised process was similar.
- 2.11** Several respondents raised concerns about our training and competency requirements. At present, we require a level 3 qualification for any member of staff who is either advising on a regulated mortgage contract or who arranges an execution-only sale of a regulated mortgage contract.
- 2.12** A firm thought that the proposal overlooked the role of advisers in fraud prevention.

Our response

For many consumers, advice is a valuable part of buying a mortgage and we expect this to continue. We anticipate that consumers will continue to seek advice from intermediaries providing services which they value.

We understand the concerns of respondents, especially intermediaries, about this proposal. Intermediaries have raised concerns regarding loss of revenue, including potential impact on standards, growth and innovation.

We have considered these concerns, but we do not think they outweigh the benefits identified for consumers and the market as stated within the CBA.

We believe these changes make it less likely that an execution only customer will choose an unsuitable mortgage than is the case today. Consumers will find it easier to shop around and to ask questions about the products they are considering.

Firms will have more opportunities to understand their customers by having more natural conversations which are not immediately diverted to advice. This will help firms to prevent poor customer outcomes and increase the number of touchpoints where they can identify customers who may have characteristics of vulnerability and provide appropriate support.

We are implementing our rules largely as proposed in CP25/11, with one change involving positive election and one change to clarify our expectations on not causing foreseeable harm. We discuss this in more detail later in this PS.

We recognise that some transactions, such as equity release and mortgages for debt consolidation, can be more complex, and so we are not changing the requirements for advice to be given in those cases. We do not propose to expand this list or outline specific cohorts of customers who are permitted to use an execution-only channel.

The rule changes we are making are entirely permissive. Firms who are not confident their systems and controls can identify which of their customers need advice to avoid causing them foreseeable harm, can direct customers to advice.

We understand that maintaining the level 3 requirement may result in staff training costs for lenders who want to use our rule changes. We accounted for training costs in the CBA and didn't receive any direct new information to cause us to amend this. Implementation costs are further discussed at paragraph 6.45. However, as firms begin to adopt our new rules and implement new processes, we believe it is right that staff who are arranging execution-only mortgage sales are appropriately qualified. We believe that the current requirement for qualified staff knowing what does, and does not, constitute regulated advice, is likely to assist consumers in understanding what is general customer support and not advice.

Staffing levels in general, whether firms prefer to sell their products on an advised basis or execution-only, and whether these products are predominantly sold online, on the telephone or in branch, are ultimately commercial decisions for firms.

We will keep the qualification requirements under review and may consider this further as we analyse responses to DP25/2. We have decided not to issue further guidance on our expectations of firms who use the new rules. There is extensive guidance for firms on what would constitute regulated advice at PERG 4.6.7G and we do not believe it is necessary to expand on this.

We understand the concerns raised by some firms about the interpretation of our rules by the Financial Ombudsman Service (Financial Ombudsman). The Financial Ombudsman is independent in the way it investigates and decides cases, but we have engaged with it while developing our proposals and will continue to do so.

We understand that some respondents are concerned about having fewer opportunities to discuss the possible need for protection products with consumers. Our rules do not require any form of insurance to be taken out alongside a mortgage, although many lenders will require buildings insurance as a term of the mortgage contract. Given not all intermediaries (nor all lenders) have permissions to provide advice on protection needs, consumers aren't necessarily getting access to such advice anyway. When the MMR was introduced, we did not see a significant uplift in reported sales of protection products (see paragraph 6.37 onwards), and we do not believe that the changes we are making now will significantly impact sales levels.

Our rules do not prevent firms from reminding customers to check their protection needs are covered and that they can go to an insurance adviser if they wish. Lenders, and those advisers without the relevant permissions may recommend that customers consider seeking advice from a suitable firm.

In Chapter 7, having considered the responses to our Cost Benefit Analysis and based on the information available, we state that we do not have a strong reason to expect the current proposals to lead to less consumer uptake of protection products. DP25/2 is seeking input on mortgage

advice, and we would welcome feedback from those who may have further thoughts on this specific matter. We are also considering the distribution of pure protection products as part of our Market Study MS24/1.

We are not overlooking advisers' roles in fraud prevention. Where consumers choose to proceed on an execution-only basis, lenders have obligations to detect and prevent financial crime.

Under the Duty, all firms are required to act to deliver good customer outcomes, and we will be supervising and monitoring firms' implementation of our rules.

2.13 We asked:

Question 2: Do you agree with our proposals to amend the circumstances where firms would be required to ensure consumers have made a positive election to use an execution-only channel?

2.14 Several respondents agreed with this change or did not think it was a material change.

2.15 Several respondents were in favour of requiring all consumers to make a positive election when using execution-only or adding more risk warnings to help customer understanding.

2.16 On the other hand, several respondents thought removing the positive election step would weaken consumer protection or that it required careful thought from us before proceeding. Some respondents proposed additional disclosure, such as a factsheet, to ensure consumers understand the consequences of proceeding on an execution-only basis, including that they would lose their ability to make a complaint about mortgage advice to the Financial Ombudsman. The example of our disclosure requirements at ICOBS 4.2 was suggested as an example.

2.17 A firm asked for clarity on how the change would align with the Duty's requirement to add positive friction during a transaction.

2.18 A trade association suggested we delete MCOB 4.8A.14R (5) in its entirety to reduce any perceived confusion in the drafting of any final rules.

2.19 A trade association said that our draft rules were too complex and could be re-drafted to distinguish between standard disclosure for all execution-only sales and additional requirements where a consumer has rejected advice.

Our response

We have reflected on this feedback and decided to maintain the requirement to positively elect to proceed with an execution-only sale where there is interactive dialogue with the firm. As such, we will no longer be deleting the requirement for positive election in MCOB 4.8A.14R (5).

Although maintaining this requirement will increase the burden on firms, and add friction before the point of sale, we agree that it is also likely to boost consumer understanding, support consumers in making good decisions and provide a useful reflection point for both parties.

Firms should be aware, however, that requiring a customer to make a positive election will not, on its own, be taken by us as amounting to compliance with our new rule (MCOB 4.8A.4AR) or with the Duty's consumer understanding outcome.

The changes are designed to make it easier for consumers to interact with firms in a manner of their choosing and do not prevent firms from telling their customers that they could or should seek advice. Accordingly, we do not believe these changes weaken consumer protection.

Firms may want to provide additional disclosure to any customers choosing an execution-only channel, to help ensure customer understanding.

Firms offering execution-only when there is some form of interactive dialogue are already required to tell the customer that they will not benefit from the protections of the rules on assessing suitability. As such, we do not believe it is appropriate to require firms to issue additional disclosure materials to their customers.

2.20 We asked:

Question 3: Is there anything else you think we should consider for this proposal (mortgage advice and interactive dialogue)?

- 2.21** A trade association suggested we should consider additional disclosure at the end of a fixed rate period, to alert consumers to the possibility that another lender may offer a better deal.
- 2.22** A trade association and a firm asked us to revise the drafting of MCOB 4.8A.2 R (3) to make it clearer that execution-only sales would not only be permitted where consumers have rejected advice. They also raised concerns about the drafting of 4.8A.4A, and the retention of MCOB 4.8A.10 and MCOB 4.8A.14.
- 2.23** A trade association said that it would be unreasonable to expect the same amount of execution-only sales from internal product transfers and from remortgaging to a new lender, due to the additional friction of moving to a new lender.
- 2.24** A firm said that staff would need to be upskilled to ensure that interactions did not stray into regulated advice.
- 2.25** An intermediary firm said that some consumers were opting for execution-only internal product transfers because they thought they were the cheapest option available to them, when an intermediary may have been able to find them a cheaper deal. This respondent said we should make advice mandatory, to protect consumers from foreseeable harm.

- 2.26** An intermediary firm asked for additional guidance on what might be considered as foreseeable harm, to help firms meet their obligations under the Duty. They suggested that the range of transactions for which advice is mandatory is too narrow.
- 2.27** Several firms and trade bodies thought that any changes should be delayed until after we receive responses to DP25/2, to ensure we have a holistic view of the market.
- 2.28** A firm raised the importance of consumers not being encouraged to use an execution-only channel.
- 2.29** An intermediary firm questioned whether execution-only consumers would fully understand the range of products and services available to them without advice, and asked who would be responsible for any poor outcome in an execution-only sale.
- 2.30** An intermediary firm said intermediaries may charge fees earlier in the advice process, to prevent consumers from approaching them to better understand the market but then making an execution-only application.
- 2.31** A firm was concerned that intermediaries may charge fees for execution-only sales which may not represent fair value for consumers.
- 2.32** 2 firms asked us to clarify the definition of the 'main purpose' in respect of debt consolidation in MCOB 4.8A.7R (one scenario in which advice must always be given is if the main purpose of the loan is for debt consolidation), and how these loans could be identified earlier in the sales process.
- 2.33** A firm made numerous drafting suggestions relating to other MCOB rules, and asked for clarification on whether customers can proceed on an execution-only basis where the customer has rejected advice.
- 2.34** A respondent asked us to consider the implications of our proposals for Professional Indemnity Insurance and premiums caused by increasing numbers of execution-only sales.
- 2.35** A consumer body was concerned that our changes may result in consumers applying for mortgages for which they are ineligible, harming their credit file.

Our response

We do not believe that further disclosure to encourage customers to consider alternative lenders is appropriate at this time. DP25/2 is considering disclosure across the mortgage market, and we will consider these suggestions as part of the feedback to the DP.

There are many elements involved with moving to a new lender which will add friction to the transaction, as well as the time taken to speak to an adviser. However, we still think that time spent on advice, where it is not wanted or needed, is a factor which will influence a customer's decision.

We agree that some staff will need upskilling to avoid straying into advice during an interaction. As set out above, our rules require any member of staff who is arranging an execution-only sale to be appropriately qualified.

Some customers choosing an execution-only sale may be able to find a cheaper mortgage elsewhere. But this risk exists today. We believe our proposals will make it easier for those customers who are confident to make their own decisions and use personalised information to shop around.

We do not agree that there is a need for further guidance on our rules or that providing advice should be made mandatory for any more transactions than is currently the case. Where responses have raised relevant wider market issues, we will consider these along with responses to DP25/2.

We agree that removing MCOB 4.8A.2 G (3) makes it clearer that execution-only sales are not limited to cases where consumers have rejected advice and have amended the instrument to reflect this.

We agree that consumers should not be actively encouraged to use an execution-only channel if it is not in their best interest. Our rules make this clear at MCOB 2.5A.1R, and MCOB 4.8A.4G and MCOB 4.8A.4R. However, explaining the availability of an execution-only channel, and its pros and cons, is likely to be an aid to consumer understanding.

Our non-Handbook Guidance on the Consumer Duty confirms that where consumers have been given the information they need, presented in a way they can understand and at the right time, they can make properly informed decisions. Intermediaries are required to recommend a suitable product, rather than the best possible option available. Our non-Handbook Guidance also confirms that the Duty does not require a firm to prevent an insistent customer from making decisions or acting in a way that the firm considers to be against their interests. However, the firm should take steps to ensure that customers understand the risks of their action.

Any fees charged by lenders or intermediaries must represent fair value, in accordance with the Duty.

We do not intend to provide any additional guidance on the definition of when the main purpose of a loan is for debt consolidation at MCOB 4.8A.7R. We believe that firms have existing processes and controls to identify the purpose of loans prior to an execution-only sale being agreed, and therefore further rules or guidance are not necessary.

Our understanding is that lenders have a range of tools available to manage the risk of a customer who is outside of their risk-appetite making an execution-only application, including the provision of information to consumers in advance of a hard credit search.

We have considered the response regarding Professional Indemnity Insurance and premiums. The choice of Professional Indemnity Insurance provider is a commercial decision for intermediaries, who must ensure they have the correct level of coverage and protection across their specific business requirements.

Chapter 3

Affordability assessments when reducing a mortgage term

- 3.1** This chapter outlines our response to the feedback on our proposals for amending affordability assessments when reducing a mortgage term.
- 3.2** We consulted on removing the requirement for a full affordability assessment when reducing the term of a mortgage. This would make it easier for consumers to reduce the term of their mortgage, where it is appropriate for them. We asked:

Question 4: Do you agree that the requirement for a full affordability assessment when reducing the term of a mortgage should be removed with affordability being assessed in line with a firm's obligations under the Consumer Duty and its responsible lending policy?

- 3.3** Many respondents agreed with our proposal and that it would help to reduce the total cost of borrowing.
- 3.4** A firm was supportive but added that it depends on how well firms have embedded the Duty and we need to ensure consistency across firms.
- 3.5** 2 respondents welcomed the change but said it would be difficult to assess the materiality threshold for lenders. A respondent added that it would also be difficult for advisers to give accurate advice without knowing the full extent of the customer's financial position.
- 3.6** Many respondents that welcomed this change said that consumers using the overpayment facility, which is a common feature in many mortgage contracts, was an alternative or better means of achieving a term reduction.
- 3.7** Other respondents were not as supportive of this change, with 2 unsure how firms could meet their obligations under the Duty without an affordability assessment.
- 3.8** An intermediary firm was concerned that the proposal might encourage customers to agree to higher monthly repayments without knowing if they were affordable in the long term.
- 3.9** A trade association suggested that high numbers of customers being unable to meet their new commitments would indicate the need for a full affordability test. They felt there would be a foreseeable risk of harm if a full affordability assessment was not carried out.
- 3.10** A trade association said that the failure to carry out a full affordability assessment at the point of a term reduction meant any new customer protection needs would not be considered.

- 3.11** A respondent was concerned there could be proceeds of crime concerns where a term reduction was more than the equivalent of the 10-20% overpayment typically allowed by most mortgage contracts.
- 3.12** A respondent said more data was needed, as the appetite from customers to take up term reductions was not clear.

Our response

We welcome the support for this change and are going ahead as proposed.

With the Duty now in place, firms should already be acting to avoid causing foreseeable harm to retail customers (PRIN2A.2.8) and equip them to make effective and properly informed decisions (PRIN 2A.5.3 (c)).

Firms must ensure that consumers understand the implications of any decisions they make. They must be given the information they need, at the right time and presented in a way they can understand.

One of the aims of the rule change is to remove prescription. As such, we do not think it would be appropriate to remove one form of prescription and then replace it with another. Firms will be able to make their own decisions about what form of assessment would be proportionate to the customer's needs. For these reasons, we do not agree that we need to ensure consistency of how firms approach affordability assessments when reducing a mortgage term. There is not a consistent approach across firms at present, as our rules currently require lenders to assess affordability when making a change to the mortgage which is likely to be material to affordability. Lenders take different approaches to establishing what is material to affordability. Firms will still be required to consider affordability in accordance with the Duty and their responsible lending policy.

Our changes are designed to encourage customers to reduce the total cost of borrowing. If a contractual change means the monthly repayment becomes unaffordable over the long term, customers should contact their lender to discuss their options. This could mean extending their term or reverting to their original term, in agreement with the lender, to reduce their monthly repayments. We do not agree there is a foreseeable risk of harm if a full affordability assessment is not carried out. Many term reductions are carried out without an affordability assessment under our current rules, and we do not have evidence of harm. For the same reason, we do not agree that there is harm associated with a lack of conversations about protection products when reducing a term.

We do not have evidence to suggest that our proposals create additional proceeds of crime concerns.

We agree that for many customers, using an overpayment mechanism within their existing mortgage contract will be a more flexible way of repaying their mortgage earlier, and we support that. This change is designed to make it easier for those opting for a contractual change to their monthly repayment instead of making an overpayment.

These changes are permissive, and it is for lenders to decide whether they want to offer them to customers, and for customers to decide if they want to use them.

3.13 We asked:

Question 5: What further regulatory changes could support borrowers to reduce their term when appropriate?

- 3.14** Several respondents said customers should be able to revert to their previous term, either within a set period or at any point.
- 3.15** An intermediary firm suggested that we establish a framework to prevent customers from over-extending themselves.
- 3.16** Another respondent said fees to reduce the term should be abolished or capped.
- 3.17** 2 respondents said firms should provide illustrations in the annual statement to show hypothetical examples of the impact of reducing the term.
- 3.18** Several respondents said that firms could proactively communicate the benefits and risks of shorter terms with customers.
- 3.19** Several respondents said firms should inform customers of the benefits of both making overpayments or reducing their term, with 1 respondent suggesting this could be achieved with new guidance.
- 3.20** 2 respondents said customers should be required to receive advice to fully understand the implications of a term reduction.
- 3.21** A lender suggested a review of MCOB 11.6.3(3) if the proposal was taken forward.
- 3.22** A consumer group suggested mandating lenders to offer product switches that include a term reduction.

Our response

We do not agree that an automatic right to re-extend a consumer's term, regardless of the length of time which has passed since the term reduction, is in the interests of consumers. Allowing a consumer to return to a previous term which went into their retirement, without checking that it would be affordable, might not be in the consumer's best interests and could cause harm.

Firms may develop their own frameworks for assessing whether to agree to a term reduction, but we do not believe it is appropriate for us to prescribe the format. As set out in CP25/11, we expect firms to consider affordability in line with the Duty/PRIN 2A and their own responsible lending policy where they choose to use these changes.

Firms may decide to charge a fee when reducing a mortgage term. Firms must ensure any fees are fair value and do not result in the mortgage ceasing to be fair value overall.

We agree that firms may want to proactively communicate the benefits, and costs, associated with a term reduction to their customers, possibly as part of an annual statement. We welcome firms adopting such measures, which are likely to boost consumer understanding. However, we do not believe it is proportionate to prescribe such measures.

As set out in CP25/11, we agree that overpayments could be a good option for many consumers, but we will not be providing guidance on this point.

It is not necessary for consumers to seek advice before shortening their mortgage term. We do not currently require this, and it would not be proportionate to require it after we have introduced our new rules.

We do not intend to issue any further guidance for firms, or to review MCOB 11.6.3R (3) further, at this time.

3.23 We asked:

Question 6: To what degree could unaffordable term reductions increase as a result of the proposed approach? Are further mitigants required?

3.24 2 respondents said the length of a term reduction without an affordability assessment should be limited, as a mitigant against an increase in arrears, or that the consumer should require advice if seeking a significant term reduction.

3.25 A respondent said no further mitigants were required as the Duty and responsible lending rules were already adequate in this regard.

Our response

We do not believe that limiting the length of a term reduction is needed as a mitigant against an increase in arrears, as we still expect firms to consider affordability in line with the Duty/PRIN 2A and their own responsible lending policy.

We agree that the Duty's requirement to avoid causing foreseeable harm, and our existing responsible lending rules, will act as a mitigant against poor consumer outcomes.

3.26 We asked:

Question 7: Is there anything else you think we should consider for this proposal (amending affordability assessments when reducing a mortgage term)?

- 3.27** 2 intermediary firms raised concerns about customers regularly changing their term length, creating costs and instability in the process. 1 added that it would be costly for firms to adopt different affordability assessments for different consumer circumstances.
- 3.28** A trade association said that a consumer's circumstances may have changed since the term was initially agreed, which would need to be considered alongside any saving on the total amount payable.
- 3.29** A respondent asked whether early repayment charges could be incurred by consumers reducing their term.
- 3.30** Another respondent asked whether lenders could support this flexibility via their sourcing systems and that there would be complexities and cost for firms to enable this.
- 3.31** 2 respondents felt that reference to 'retirement age' for term extensions was too definitive and wanted a wider definition of what constitutes later life, to consider a customer's position more holistically.
- 3.32** A respondent felt that focusing on term extensions would be better for mortgage prisoners.
- 3.33** Several respondents felt we should issue clear guidance on our expectations for term reductions, with 1 respondent adding that we should also update Transitional Arrangement rules and guidance.
- 3.34** Some respondents felt that ongoing monitoring, by both firms and the FCA, would be required if the proposal was implemented.
- 3.35** A respondent felt that a change in how firms assess affordability should be applied to cases of economic abuse.
- 3.36** A lender asked for further clarification of the new proposed rule at MCOB 11.6.3R (6).

Our response

We agree there may be a risk of some consumers seeking to vary the term of their mortgage contract regularly, or shortly after the contract is initially agreed, and we set this out as a potential risk in CP25/11. We expect firms will establish controls to monitor this, take a risk-sensitive approach and engage with consumers where appropriate.

Implementing different affordability assessments for different customer cohorts may be complex and increase costs, but this is for lenders to decide as our rule changes are entirely permissive.

We agree that a customer's circumstances may change during the term of a mortgage. Firms may take this into account when considering affordability in line with the Duty/PRIN 2A and their own responsible lending policy.

Our rule changes do not amend when a consumer may be liable for an early repayment charge under their existing mortgage contract.

This rule change is designed to reduce prescription and allow firms to develop their own processes to help deliver good outcomes for their customers. As such, we do not believe it is proportionate to issue any further guidance on when a term reduction may be appropriate for a consumer or on when an affordability assessment is required for term extensions past a consumer's retirement age. We agree ongoing monitoring is needed, and we will be looking at the changing profile of mortgage terms extending past the state pension age as part of how we will assess the impact of this rule change.

We confirm that by removing the prescriptive requirement, firms would be able to determine what form of assessment would be proportionate to their customers' needs. However, we do not propose to issue any further guidance on how firms consider affordability as set out in the new rule at 11.6.3R. Firms need to meet their obligations under the Duty, in particular to act to avoid causing foreseeable harm to retail customers (PRIN2A.2.8) and to equip them to make effective and properly informed decisions (PRIN 2A.5.3 (c)).

We will be looking at how firms can best support survivors of economic abuse as part of DP25/2 and will further consider the feedback received as part of that work.

Chapter 4

Amending affordability assessments when remortgaging

- 4.1** This chapter outlines our response to the feedback on our proposals for amending affordability assessments when remortgaging.
- 4.2** We consulted on amending the MAA to permit lenders to enter into a new mortgage contract where it is more affordable than either a customer's current mortgage or a new mortgage product that is available to that customer from their current lender.
- 4.3** We asked:

Question 8: Do you agree with developing an alternate, more flexible approach to affordability assessments for remortgaging activity?

- 4.4** Most respondents expressed broad agreement with this proposal, with some adding that it could improve accessibility and outcomes for consumers.
- 4.5** An intermediary firm thought this option may not be suitable for all consumers.

Our response

We welcome the broad support for the proposal to developing an alternate, more flexible approach to affordability assessments for remortgaging. We will be proceeding with amending the MAA as consulted on.

We do acknowledge that having a more flexible approach may not be best for all consumers. This is why we are making the change to the MAA permissive, so that firms can decide whether to use it and if it would be of benefit or be suitable for a consumer.

- 4.6** We asked:

Question 9: Do you agree with our proposal to extend the use of the MAA in this way?

- 4.7** Several respondents doubted whether lenders who had not used the previously introduced MAA would use this extension.
- 4.8** A response highlighted potential risks, including credit risk impacts for consumers and challenges in maintaining consistency across the industry where there are differing lending criteria. Another respondent said there was a risk that a lenders risk appetite could not be policed because of the proposal.

- 4.9** A trade body highlighted the risk of fraud checks not being carried out at the point of remortgage.
- 4.10** Respondents said there was a risk that customer circumstances could have changed since their last mortgage, and this would not be considered at the point of remortgaging. Other respondents suggested there would need to be some sort of safeguard or affordability assessment.
- 4.11** A trade body said there was a risk for lenders relying on the previous lender's affordability assessment.
- 4.12** Several respondents raised the risk of increased complaints, and how these would be considered where the MAA had been used.
- 4.13** A respondent raised concerns about lending to consumers into retirement and this not being assessed at the point of remortgaging.
- 4.14** 2 trade bodies said larger lenders may benefit disproportionately due to their access to customer data and financial performance insights.

Our response

We acknowledge and understand respondents' concerns about the risks of not carrying out a full affordability assessment, especially where this may not have been done for several years, or where there has been a change in consumers' circumstances, or where the mortgage goes into the customer's retirement.

The decision to make use of the MAA will be one for individual lenders, based on their risk appetite and the consumer's individual circumstances. As we set out in para 3.51 of CP25/11, firms who opt to use the MAA will still have the choice to complete a full affordability assessment if they feel this is necessary.

Firms can still use credit reference checks and underwriting assessments to support their decision and can also carry out any checks they deem necessary for any fraudulent applications.

On lending into retirement, our rule (MCOB 11.9.7R(2)(b)) already requires lenders using the MAA to consider whether the consumer's income after retirement would be enough to enable them to meet their commitments under the contract.

We feel the risk of increased customer complaints is mitigated by the requirements for firms to disclose the basis of the affordability check and that it was based on what was known at the time of the application. It is standard industry practice to ask customers if they anticipate any changes to circumstances, income and expenditure in the future, to ensure they are making a decision based on all the facts. We will be monitoring firms' implementation of our rules via our usual supervisory channels.

4.15 We asked:

Question 10: What evidence (if any) would the new lender need from the customer or their existing lender to confirm the MAA and new product can be made available to the customer?

- 4.16** Several responses said lenders would require evidence of any changes in the customer's circumstances since the last mortgage affordability assessment, proof of income, payment history and the current mortgage balance.
- 4.17** Several responses said lenders could only require confirmation that the customer's circumstances had not changed, as well as evidence of the rates available from the existing lender.
- 4.18** A respondent said lenders would need sufficient evidence to meet the Know Your Customer (KYC) requirements.
- 4.19** Several respondents asked us to issue guidance on what firms can accept as evidence of the deal/rate available to the customer from their current lender.

Our response

We appreciate that any lender taking on a new mortgage customer will want to make sure they request the appropriate evidence to assure themselves that the mortgage they are offering is suitable and affordable. Amending the MAA in the way we proposed does not prevent lenders from collecting this information. Depending on the information being provided, they can still complete a full affordability assessment if they deem this is necessary for the customer's individual circumstances.

We acknowledge that several respondents requested guidance on what evidence the new lender should take as proof of the deal/rate available to a customer from the current lender. However, we do not currently believe there is a universal solution that would work for all lenders. So, if we were to issue guidance on a particular method, this could prove difficult and/or costly for some lenders to produce. We anticipate new industry practice will develop, and as this rule is permissive, we are keen to avoid being prescriptive or adding additional layers of complexity.

We will monitor what lenders do in this area, and in the future, we will consider guidance or making further changes if needed.

4.20 We asked:

Question 11: What barriers may lenders or consumers face in making use of the proposed approach? How might they be overcome?

- 4.21** Several responses said that implementing a new affordability assessment would be costly for lenders and take time.
- 4.22** Several responses said that consumer awareness of the MAA and lenders' varying approaches to it will be a barrier to its use and efficacy.
- 4.23** Several responses said lender risk appetite would be a barrier to them adopting the MAA.
- 4.24** Several responses said that guidance would help lenders understand how and when to apply the MAA and make clear how complaints would be considered.
- 4.25** Several respondents said consumers should receive advice during the process and that simplification should not be at the expense of advice.

Our response

As the rules are permissive it is up to lenders to decide as and when they want to make use of the MAA, which customers they use it for, and how using it fits with their risk appetite. As such, we will not be issuing guidance on how and when to apply the MAA.

We accept that it may take time for lenders to implement any system changes to be able to make use of this change to the MAA. This is one reason why the MAA rules are permissive, to enable lenders to decide if they want to use it and, if so, how they then implement it.

If a lender chooses to use the MAA, it does not prevent the customer from being provided with advice, as they may still need advice on what is the most appropriate mortgage for them.

-
- 4.26** We asked:

Question 12: Is there anything else we should consider for this proposal (amending MAAs when remortgaging)?

- 4.27** A respondent suggested that if a consumer chose to remortgage under the MAA, their previous mortgage advice should move out of scope for complaints.
- 4.28** Another respondent said the scope of the MAA should be made as wide as possible for all consumers.
- 4.29** A respondent felt there could be an increased risk of consumer harm, even with increased disclosure, from these proposals and that this could be contradictory to the Duty's requirements to avoid causing foreseeable harm.

Our response

Where a customer is unhappy with the advice they have received, they have the right to complain to the firm or advisor who gave them that advice. Customers generally have 6 years from the event they are complaining about, or 3 years from when they knew (or should have known) they had reason to complain. This means that even if a customer's mortgage is with a new lender, they are not prevented from making a complaint about the original advice if they felt that it was deficient in the context in which it was given at the time. We do not plan to move any advice given prior to a remortgage made under the MAA out of scope for complaints.

Following feedback, we are making some minor changes to the final rules. We have clarified that MCOB 11.9.5 R (3) (a) and (b) are cumulative by adding 'and' following (a) and before (b). We are also adding into (b) that the calculation must include any product fee or arrangement fee which would be due from the customer for the indicated new deal.

This is a permissive rule, and it will be for lenders to decide when it is appropriate to use it. If a lender is concerned there is a risk of consumer harm from using the MAA from anything they discover in the application process, then they can undertake a full affordability assessment to ensure the mortgage is affordable for the customer. Accordingly, we do not believe extending the scope of the MAA as proposed will cause an increase in consumer harm.

We are widening the scope of the MAA, meaning more customers should be able to benefit from its flexibility. Currently the MAA is only available to eligible customers whose current mortgage deal is more expensive than the deal available from a new lender. However, this rule is permissive, and we cannot require lenders to use the MAA as lending is a commercial decision.

We do not plan to change any of the other eligibility criteria for the MAA and customers will still need to:

- have a current mortgage
- be up to date with their mortgage payments (at the point the new mortgage is applied for and over the previous 12 months)
- not be looking to borrow more, other than to finance any relevant product arrangement or intermediary fee to the mortgage
- be looking to switch to a new mortgage deal on their current property

4.30 We asked:

Question 13: What further regulatory changes, if any, could support simpler remortgaging?

- 4.31** Several respondents suggested that streamlining the remortgaging process in other ways would have more of an impact. Suggestions included standardising remortgage transfer packs, simplifying conveyancing requirements, and digitising the remortgage process. A trade body suggested that a direct and guaranteed switch scheme which also encourages greater direct sourcing, and possibly cheaper rates if no procurement fees are payable, would be useful to support simpler remortgaging.
- 4.32** Some respondents suggested a slower, considered approach to rule changes to avoid unintended consequences, including waiting until DP25/2 is concluded.
- 4.33** Another respondent suggested considerations for how lenders would stress test like for like remortgages compared to other lending types (house purchase) and the need for consistency there.

Our response

We acknowledge that the affordability assessment is only one part of the remortgage journey. Improving the speed and efficiency of a remortgage journey is largely outside of our regulatory remit and the Government has plans to modernise the home buying and selling process.

We welcome the feedback on further regulatory changes we could make to help support simpler remortgaging which will be considered as part of the responses to DP25/2.

We understand the calls for taking a slower approach and for waiting until after the DP25/2 process has concluded. However, we want to enable firms who are keen to innovate to use the flexibility and to start realising the benefits immediately. As the changes we are making are permissive, lenders can choose as and when to implement them.

The application of stress testing is not in scope of the rule changes to the MAA. However, we are inviting views on stress testing rules more generally as part of DP25/2.

Chapter 5

Retiring FG13/7 and FG24/2

5.1 This chapter outlines our response to the feedback on our proposals for retiring FG 13/7: Dealing fairly with interest-only mortgage customers who risk being unable to repay their loan and FG 24/2: Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living.

5.2 We also proposed to introduce a rule and guidance which would make clear that firms must deal fairly with customers whose mortgage terms have expired and not take repossession action unless all other reasonable attempts to resolve the position have failed.

5.3 We asked:

Question 14: Do you agree with our proposal to retire FG13/7?

5.4 Most respondents supported the proposal to retire FG13/7.

5.5 A respondent, while agreeing with the proposal to retire the guidance, asked that we capture the key provisions appropriately in the revised Handbook rules so that there is no loss of consumer protection.

5.6 But some disagreed with retiring the guidance, as they were concerned it would mean losing valuable guidance. A consumer group did not feel there was a benefit to retiring the guidance at this stage. They felt that it would be better to retain it while new rules and market standards are better implemented into the Financial Ombudsman process, to ensure there are no unintended consequences.

5.7 Another respondent said they were concerned that the Duty alone will not provide specific guidance for firms on the treatment of customers who are at risk of not repaying, or who cannot repay, their interest only mortgage. Another respondent said they were concerned we had not thoroughly considered the decision to retire the guidance and the impact on mortgage prisoners.

5.8 Another respondent said that, rather than retiring the guidance, we should be conducting further analysis and strengthen both the guidance and Duty. This further analysis should include a thematic review of interest only mortgages and work with consumer groups to ensure customers are offered a full range of options at maturity by their lender.

5.9 Other respondents had concerns about the new proposed rule (MCOB 13.3.8A R) and guidance (MCOB 13.3.8B G). A respondent asked for these to be reconsidered, due to concerns that this could mean customers may challenge, or Financial Ombudsman considering, the act of repossession as not being a good customer outcome, even when the customer cannot repay the capital owed.

- 5.10** A respondent did not believe introducing a new rule, which says that lenders must not take repossession action unless all other reasonable attempts to resolve the situation have failed, will lead to any improvements. This is because the rule does not define what constitutes 'reasonable attempts'.

Our response

Overall, there was wide support for the retirement of FG13/7 and we will be proceeding with the proposal to retire it.

The current guidance is non-Handbook guidance, so there are currently no provisions in the Handbook that will be removed or require updating. We have proposed to add a new rule on firms not being able to take repossession action unless all other reasonable attempts to resolve the situation have failed.

We note 2 respondents did not agree with the proposal to add this new rule and guidance. But we are introducing the rule and guidance as consulted on. It is important to be clear to firms and customers that repossession action should not be taken unless all other reasonable attempts to resolve the situation have failed. Delaying repossession action, where it is clear there is no possibility of the customer being able to repay the capital, can make the situation worse (eroding potential equity that could be recovered for the benefit of the customer), and repossession may be the best cause of action for the customer.

The guidance we are introducing makes it clear that a firm should consider what actions, if any, are appropriate for an individual customer's circumstances and the regulated mortgage contract and that this should be in accordance with obligations under the Duty.

We concluded that it was the right time to retire the guidance following analysis of our regulatory data, consumer research and engagement with mortgage lenders and administrators through an industry working group. We also discussed the findings from the analysis and consumer research with consumer groups, to seek their views.

As we set out in CP25/11, we believe the guidance has fulfilled its purpose and firms' processes and procedures are much improved from when the guidance was introduced. The Duty provides up-to-date standards against which firms should deliver good outcomes for both existing and future interest only customers. We do not believe keeping the guidance in place is needed. We will be monitoring firms' implementation of our rules via our usual supervisory channels.

- 5.11** We asked:

Question 15: Do you agree with our proposal to retire FG24/2?

- 5.12** With the exception of 1 respondent, there was agreement with our proposal to retire FG24/2.
- 5.13** That respondent stated that the guidance provides important protection for consumers in financial difficulty. They suggest that discontinuing the guidance could increase risks for consumers.

Our response

We acknowledge the views of the respondent who does not agree, however, given widespread support and our reasoning below, we plan to proceed with retiring the guidance.

As we set out in para 3.88 of CP25/11, the guidance restates our Handbook requirements and does not create any new obligations or new protections for consumers. Our Handbook sets out the requirements on firms and options they have to support their customers, and this is underpinned by the Duty.

Chapter 6

Equality and diversity, implementation period and cost benefit analysis questions

6.1 This chapter outlines our response to the feedback on the views we set out and questions we asked in CP25/11 in relation to equality and diversity issues, the implementation period and the cost benefit analysis.

6.2 We asked:

Question 16: Are there any equality and diversity issues that may arise from the proposals?

6.3 A respondent said that there may be a risk that consumers whose first language may not be English would assume that not seeking advice would be easier for them.

6.4 A respondent said that consumers who are later in life may be more adversely affected due to limited visibility of their options.

6.5 Several respondents said that consumers with different vulnerabilities, such as financial vulnerability, or who have lower financial literacy, may be more likely to make poor decisions if advice is not clearly offered or understood.

6.6 A respondent highlighted that, from anecdotal evidence, women and individuals from ethnic minority backgrounds disproportionately hold interest-only mortgages, so could be more affected by the retirement of FG13/7.

Our response

We welcome, and have carefully considered, the feedback on equality and diversity issues that may arise from the proposals. We have challenged ourselves in the relevant areas on what the proposals would mean for different consumer groups, however this has not changed our assessment in CP25/11 that the proposals will not materially impact any of the groups with protected characteristics under the Equality Act (2010).

6.7 We asked:

Question 17: Do you agree that given the permissive nature of the proposed changes, if adopted, an implementation period would not be necessary?

- 6.8** There were some respondents who agreed that no implementation period was required.
- 6.9** Several respondents noted that, while a formal implementation period is not required, lenders may need time to make decisions on whether to implement the proposals or not, train and inform relevant staff. However, 2 other respondents said that having an implementation period would allow for these decisions, changes and training to be completed.
- 6.10** A respondent said that it would take around 9 – 12 months to get information from lenders on how they expect to implement the changes and make changes to their policies. This would also include updating their distribution network.
- 6.11** Some respondents said they would welcome an implementation period but did not specify how long this should be.
- 6.12** 2 trade bodies said that, while an implementation period would not be needed, any proposals we take forward should not be implemented until after the analysis of the responses to our Discussion Paper DP25/2 has completed.

Our response

We accept that, given the permissive nature of the changes, firms may want to take time to decide if they want to implement the proposals and if so at what point. Taking this time will allow firms to train and inform relevant staff, as well as any third parties such as administrators and broker firms.

The feedback does not change our view that an implementation period is not required nor that we should wait until after the analysis of the responses to DP25/2. We understand the calls for taking a slower approach and for waiting until after the DP25/2 process has concluded. However, we want to enable firms who are keen to innovate to use the flexibility and to start realising the benefits immediately. As the changes we are making are permissive, lenders can choose as and when to implement them.

As a result, all changes we are proceeding with in this PS will come into force immediately.

-
- 6.13** We asked:

Question 18: Do you have any comments on the Cost Benefit Analysis in Annex 2?

- 6.14** Few respondents shared direct comments on the Cost Benefit Analysis (CBA).

Interaction trigger proposal

- 6.15** A respondent agreed with the CBA and suggested that consumers may benefit from avoiding broker or intermediary fees, particularly, for relatively simple or low-risk transactions.
- 6.16** Another respondent, a trade body, said that the estimated consumer savings of £21m (which were at the upper end of our range of estimates) are overstated as consumers may save on fees but could lose out more without advice. Similarly, some respondents said that the CBA includes little assessment of the risk of consumers purchasing more expensive or unsuitable mortgage products. They suggested these risks are more likely to occur in execution-only models.
- 6.17** A respondent challenged the estimated consumer time savings for non-advised mortgage sales compared to advised and suggested there would be little difference in the time taken.
- 6.18** Respondents, including a trade body, questioned the accuracy of the estimated saving to lenders of £95m (which was at the upper end of our range of estimates) from lower procurement fees, and said that this was unlikely to be passed onto or reinvested to the benefit of consumers. A respondent said the payment of procurement fees by lenders to intermediaries was equal to or less than the amount that lenders would need to pay for marketing and operational processes for originating mortgages directly. The respondent added that procurement fees give lenders predictable costs for the origination of mortgage applications.
- 6.19** Although not a direct comment on the CBA, 1 trade body raised the prospect that the market for protection products would be affected by our interaction trigger proposal. They argued that, if the demand for intermediation falls, mortgage brokers stand to lose revenue from sales of protection products sold as add-ons to broking services, and that consumers that did forgo intermediation may lose opportunities to learn of appropriate protection products.
- 6.20** Some respondents commented that our interaction trigger proposals could lead to a deterioration in competition in both the lender and broker markets. A comment suggested that a greater volume of execution-only sales would lead to fewer consumers choosing smaller lenders, potentially damaging competition. Another comment suggested that if some brokers were to leave the market due to more execution-only sales, competition among lenders could be damaged.
- 6.21** As mentioned in earlier sections, respondent firms questioned if their staff are required to hold a level 3 qualification for dealing with execution-only queries.

Other proposals

- 6.22** Some respondents said that the cost implications of our proposals will affect firms differently, depending on their size and system capabilities, which could lead to inconsistencies in implementation among firms. However, a respondent said that the cost-based decision of taking up our proposals will be in the firms' control, as long as the rules remain permissive.
- 6.23** A respondent suggested that the costs for introducing lighter affordability tests for remortgaging between lenders had not been captured in the CBA. They said there would be a significant cost to lenders who chose to make use of the MAA. Given the permissive nature of the rules, they are concerned that costs might fall disproportionately on lenders who choose to implement them.
- 6.24** A respondent said that the relaxation of mortgage affordability rules could have significant implications for financial stability and that this has not been considered in the CP.
- 6.25** A respondent said that the CBA provides a clear assessment of the expected costs and benefits. 1 respondent said that the CBA is inconclusive.
- 6.26** Some respondents suggested it would be helpful for the CBA to include more detailed modelling of potential savings for consumers and consider further the potential impacts on certain customer types, such as vulnerable and digitally excluded customers.

Our response

We have considered all the feedback received but still judge that the costs and benefits set out in the CBA remain appropriate and that our proposals represent a proportionate intervention. However, it will be important to monitor the implementation of our interaction trigger change, via supervisory channels and regulatory returns, to understand how it is working in practice and its impact. Key indicators for the interaction trigger will be the use of execution-only channels by customers, and complaints relating to these sales.

- 6.27** Further detail on our responses is provided below:

Interaction trigger proposal

Clarification of estimated benefits

- 6.28** As stated in the CBA, our cost and benefit estimates are based on illustrative scenarios that reflect uncertainty around adoption by firms and consumer behaviour. We have provided a range of estimates alongside theoretical reasoning for how these impacts might manifest. Consumer benefits could arise where individuals with simple needs opt for a non-advised route and avoid the costs of advice deemed unnecessary to their

circumstances. If execution-only sales increase, lenders may pay less in procurement fees (a transfer from brokers). We did not receive evidence in the consultation to cause us to change our estimates of the costs and benefits of the interaction trigger proposal. To avoid restatement, we refer respondents to our original CBA.

- 6.29** Regarding our decision in this PS to change our interaction trigger proposal so as to retain positive election for execution-only sales, the change increases the likelihood that the estimated costs and benefits will be towards the lower end of our illustrative scenarios (Tables 4, 5 and 6 in CP25/11). Positive election implies that borrowers proceeding with execution-only will need to agree that they recognise that they are losing associated protections, and that lenders will need, as currently, to record this. This change increases the friction involved in selecting an execution-only route and would be expected to reduce the benefits to lenders and consumers associated with the interaction trigger proposal and thus reduce the costs to brokers. However, given our CBA ranges are already designed to capture the substantial uncertainty in the implementation of the proposal and the time saving per consumer interaction, we do not propose any amendments to our cost and benefits estimates. In addition, we do not expect that the changes to the rules as consulted on will have a significantly different impact on mutuals compared to other authorised firms.

Risks to consumers forgoing advice

- 6.30** As noted in CP25/11, we recognise that brokers provide a valuable service for many mortgage customers. Under the proposal to remove the interaction trigger, brokers will still be able to compete for customers based on their reputation, service and price. Similarly, the consumers who most stand to benefit from advice will continue to be able to access it from brokers. The fact that the majority of mortgage consumers use and recognise the role of brokers currently is one reason we expect that consumer take-up of execution-only options may be limited.
- 6.31** As set out in our CBA, any impact of the removal of the interaction trigger on the mortgage broker market could lead to a trade-off between the benefits of avoiding the cost of advice where it is not necessary, and the costs that some consumers might face in terms of worse outcomes should they forgo advice. In this sense, the interaction trigger proposal can be viewed as consistent with the shift in our approach to 'tolerable harm' in regulated financial markets. To inform this position, we have re-reviewed the existing evidence base on the impacts of advice and mortgage intermediation in the UK.
- 6.32** On one hand, mortgage brokers may direct consumers toward decisions that maximise broker remuneration rather than consumer welfare, creating potential for sub-optimal outcomes. In particular, causal evidence suggests that asymmetric information between brokers and consumers leads, on average, to brokers steering households towards short fixed-term mortgages that attract repeat fees (FCA Occasional Paper 34, 2018; Bank of England, 2024) or towards certain lenders that are financially advantageous to the broker (Robles-Garcia, 2020). This may mean consumers that use brokers do not see medium-term reductions in their mortgage repayments (FCA Occasional Paper 34, 2018) or may pay more (Bank of England, 2022).

6.33 On the other hand, brokers can reduce search frictions and diversify consumer choice of lender, enhancing competition between lenders. There is evidence brokers allow smaller banks to sell mortgages over a wider area ([Bank of England, 2024](#)), widen consumers' choice of lender, making households aware of better products that would otherwise not be discovered ([Bank of England, 2022](#); [FCA Occasional Paper 55, 2020](#); [Robles-Garcia, 2020](#)), and increase the likelihood to both remortgage and change lender ([FCA Occasional Paper 54, 2020](#)). This evidence implies advice plays an important dynamic role in the mortgage market and that consumers that forgo advice risk worse outcomes.

6.34 Overall, we still judge that it is not reasonably practicable to quantify the potential costs for the subset of consumers that may forgo advice as a result of the removal of the interaction trigger, for a number of reasons:

- The number and profile of affected consumers will depend heavily on whether and how lenders adopt the rules, for instance the characteristics of consumers who lenders decide are permitted to choose non-advised routes. We set out in paragraph 46 of our CBA the reasons why the interaction trigger proposal would likely not lead to a reversal of MMR, including reasons why adoption by lenders may be limited, the impacts of the Consumer Duty, and the limited impacts following [PS20/1](#). Any dynamic competition effects are heavily dependent on the scale of take-up.
- The net impact on consumers of forgoing advice depends on the characteristics of consumers who self-select into that decision. Providing the proposal is adopted by lenders, the consumers that choose execution-only sales will differ systematically from the average mortgage consumer, partly as a result of our policy design e.g. via the positive election amendment. (This seems to be supported by data from the 2024 Financial Lives Survey that shows respondents from higher income households were more likely, compared to lower income households, to report being very or fairly confident in choosing a mortgage product themselves rather than using a broker or adviser.) Consumers selecting execution-only might be expected to be more financially sophisticated than the average mortgage consumer, have simpler borrowing needs, and possess greater confidence in navigating mortgage markets independently. However, some consumers may overstate their ability to make informed decisions and, as a result, forgo advice they would otherwise benefit from.
- Similarly, if consumers with complex circumstances are more likely to both continue to be directed toward advice by lenders and to be more likely to use niche or smaller lenders, any negative effects on lender competition may be mitigated.
- Lenders and brokers may dynamically adapt their service offerings in response to the regulatory change, making static analysis of current market conditions an unreliable predictor of post-implementation outcomes. For example, unquantified benefits of the removal of the interaction trigger could be greater engagement of consumers with their mortgage or the growth of digital application processes, potentially leading to better consumer outcomes.

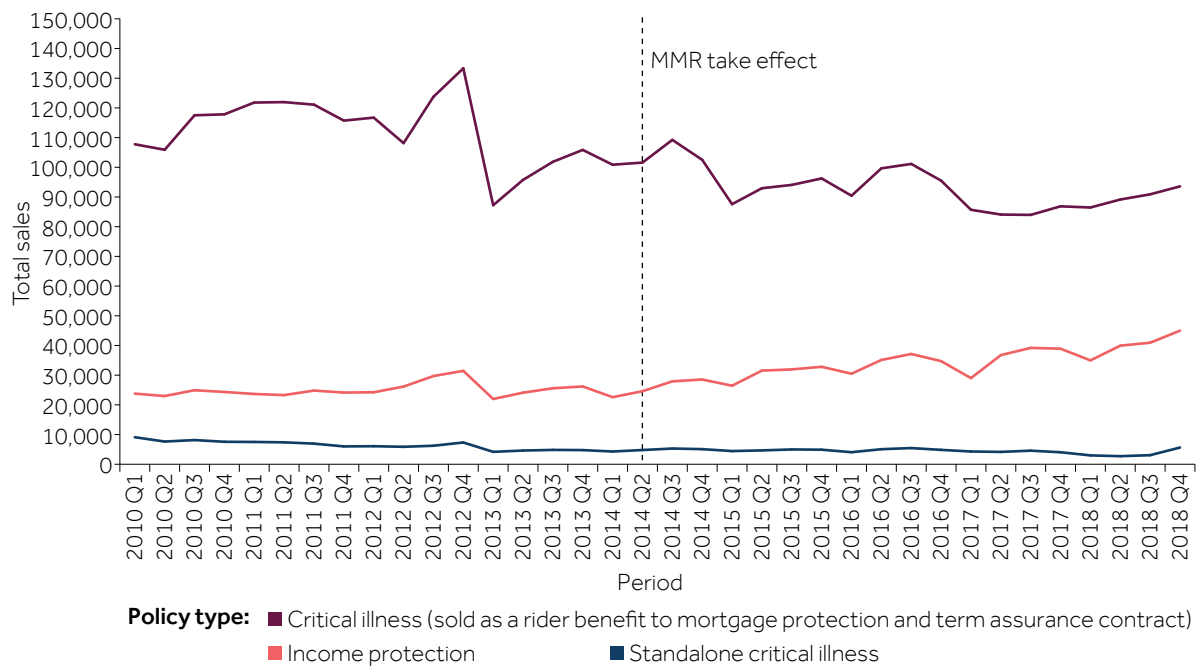
Procurement fees and distribution of benefits

- 6.35** Regarding the view that savings in procurement fees would not benefit consumers, our CBA does not assume that any reduction in fees paid by lenders would necessarily be passed through to consumers. As set out in the CBA, procurement fees represent a transfer between lenders and intermediaries. The extent of any pass-through from lenders to consumers is highly uncertain, given the permissive nature of our proposals, and we did not estimate this in the CBA.
- 6.36** We acknowledge the possibility that procurement fees may not fall in proportion to the number of consumers that choose to pursue execution-only sales. If procurement fees currently support a stable origination pipeline and aid marketing, lenders may be incentivised to continue or restructure their payment of procurement fees, and the transfer from brokers to lenders identified in our CBA would be lower. Lenders' propensity to adopt our proposal may also be limited. We consider that the potential costs and benefits of the interaction trigger proposal, including its potential impact on fees, are captured by the existing scenarios.

Pure protection

- 6.37** Mortgage intermediaries account for a sizeable proportion of pure protection sales. Around one third of pure protection products recorded in regulatory return PSD003 ('Income Protection', 'Standalone Critical Illness' and 'Critical Illness Sold as a Rider Benefit') are sold by mortgage firms ('mortgage businesses' in PSD003, which include home finance home finance brokers, home finance providers and home finance administrators). And we are aware from unpublished data that a similar fraction, around 30%, of a bigger volume of term assurance and advanced critical insurance (ACCI) policies are sold via mortgage intermediaries. We understand from supervisory knowledge that the volume of term assurance and ACCI policies sold alongside a mortgage is around one third of the volume of total broker-advised mortgage sales, but it is possible multiple policies are sold together.
- 6.38** Respondents did not provide evidence or data that we can use to inform our judgement in this area. Having reviewed data the FCA holds, we do not consider it likely that that our interaction trigger proposal would reduce the rate of consumer uptake of protection products or reduce brokers' revenue from the sale of add-on products.
- 6.39** On the consumer side, consumers will retain the freedom to purchase protection products from their provider of choice. We note that the trend for the pure protection products captured by PSD003 does not appear to change noticeably pre- and post-introduction of MMR in 2014 (1). While PSD003 only covers a subset of higher-risk protection products and the time trend is not causal evidence, it is cautiously supportive of the hypothesis that the introduction of the interaction trigger did not increase consumer uptake of protection products. As a result and given consumers can obtain protection products from various sources, we do not have a strong reason to expect the current proposals will lead to less consumer uptake of protection products.

Figure 1: Total sales of PSD003 pure protection products 2010-2018 by policy type. All selling firm types.

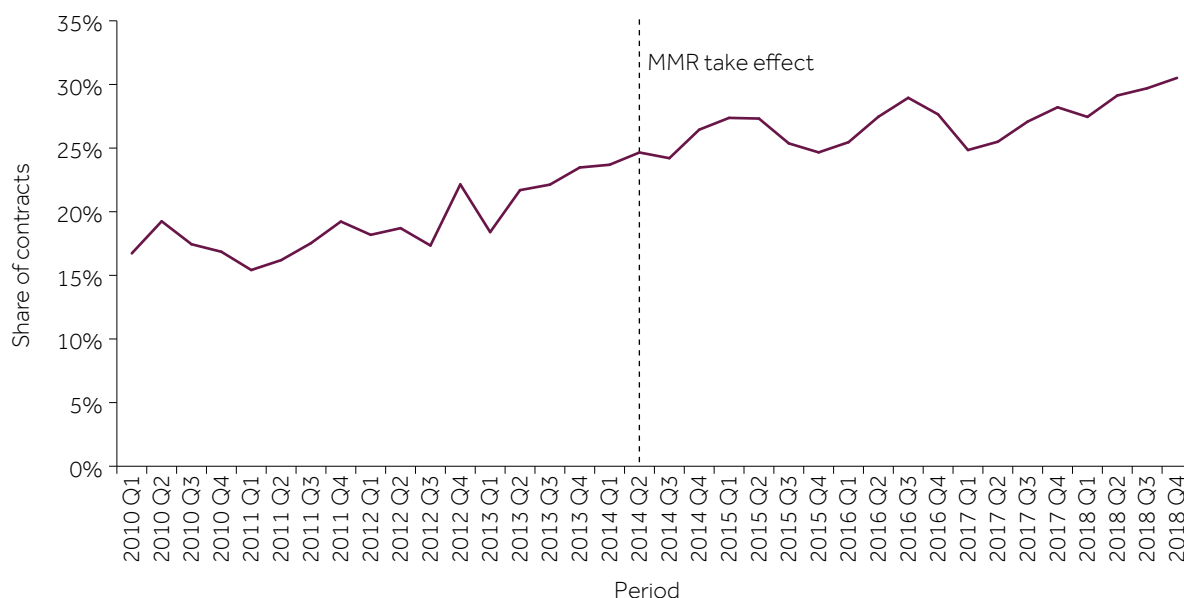


Source: FCA analysis of PSD003 data

Notes: Excludes 'Other' policy type category.

6.40 On the firm side, our proposals do not restrict brokers' ability to cross-sell additional products and services to consumers that want them. While it is possible that some brokers may advise fewer consumers and lose the ability to sell those consumers add-on products, data from PSD003 is cautiously supportive of the hypothesis that brokers overall will not face significant additional costs from reduced cross-selling. The proportion of PSD003 pure protection products sold by mortgage businesses did not noticeably change relative to the trend prior to the introduction of MMR (2). Again, while this evidence is not definitive and covers only a subset of products, it does not point to a strong likelihood that our interaction trigger proposal will cause brokers to lose revenue.

Figure 2: Proportion of PSD003 pure protection products sold through mortgage businesses 2010-2018



Source: FCA analysis of PSD003 data

Notes: Excludes 'Other' policy type category. Other selling firm types in PSD003 are: Bank and Building Society; General Insurance Intermediary; Life Insurer, Other Insurer, Personal Investment, Other.

Competition

- 6.41** Our response on any impacts on competition in the lender market is captured above.
- 6.42** Concerning the ability of smaller lenders to adapt to our interaction trigger proposal, we did not receive any evidence to suggest that smaller firms would incur disproportionately higher costs than larger firms. Should they choose to adopt the permissive rule, it is possible that smaller lenders may be able to implement it at lower cost than larger firms that have more complex compliance and IT arrangements.
- 6.43** On competition in the lender market, we do not expect our interaction trigger proposal to lead to a deterioration in competitiveness of the broker market. In contrast, the prospect of losing some customers to execution-only routes may further strengthen incentives for brokers to compete for consumers.

Consumer time savings

- 6.44** In response to the comment that our estimate of consumer time savings was overestimated, no alternative evidence was provided to cause us to amend our original estimates. We have quantified time savings in accordance with our Statement of Policy on cost benefit analysis.

Other proposals

Implementation costs

- 6.45** We acknowledge the consultation responses that implementation costs appear too low. However, our CBA set out that all lenders would incur at least familiarisation costs, which we estimated in keeping with our [Statement of Policy on cost benefit analysis](#). We also estimated in the CBA indicative costs for gap analysis under the permissive rules. On training costs, we estimated training costs associated with the interaction trigger proposal, but did not receive any concrete information on which to base any additional training costs. We note that since our rules are permissive, any additional training required would be at the discretion of firms that choose to adopt the proposals.
- 6.46** We acknowledge that respondents noted the MAA could involve additional operational costs due to the need for inter-lender coordination. Any such costs would not arise directly from our rules but from voluntary decisions by firms. We do not consider it reasonably practicable to estimate these costs, given their dependence on firm-specific systems and willingness to adopt the MAA. If implementation of the MAA is more costly, it suggests the lower bounds of our illustrative benefit scenarios would be more likely to materialise than the higher ones.

Broader economic impacts

- 6.47** While mortgage affordability has implications for financial stability at a macroeconomic level, the current proposals are very limited in scale. As such, any implications for financial stability or economic growth are judged to be negligible, as stated in the CBA.

Additional modelling and consumer time savings

- 6.48** We do not believe further quantitative modelling of consumer benefits under the MAA and term reduction proposals would materially improve the CBA, given the overriding uncertainty around firm adoption and implementation. The CBA already includes a qualitative assessment supported by illustrative ranges.

Annex 1

List of non-confidential respondents

Aldermore

Altura Mortgage Finance

Barclays

Connells Limited

Dr Alan Brener

Equity Release Council

Financial Services Consumer Panel

In Partnership

Jamie Mielczarek

Joanne Fountain

L&G Mortgage Club

LiveMore Mortgages

Lloyds Banking Group

Lord Sharkey & Dominic Lindley

Money Saving Expert

MoneySuperMarket

Monzo

More 2 Life Limited

Mortgage Advice Bureau

NatWest

Premier Finance & Mortgages Limited

Santander UK

Shaw Financial Services

SimplyBiz Services Limited

Stonebridge Mortgage Solutions Ltd

Surviving Economic Abuse

The Association of Mortgage Intermediaries

The Building Societies Association

The Intermediary Mortgage Lenders Association

The Right Mortgage Ltd

UK Finance

UK Mortgage Prisoners Action Group

West Bromwich Building Society

Annex 2

Abbreviations used in this paper

Abbreviation	Description
CP	Consultation Paper
DP	Discussion Paper
FG	Finalised Guidance
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FSMA	Financial Services and Markets Act 2000
IO	Interest-only
MAA	Modified Affordability Assessment
MCOB	Mortgages and Home Finance: Conduct of Business
MMR	Mortgage Market Review
MRR	Mortgage Rule Review
PRIN	The Principles for Businesses
PS	Policy Statement
UK	United Kingdom

Appendix 1

Made rules (legal instrument)

**MORTGAGE RULE REVIEW (EXECUTION-ONLY, AFFORDABILITY AND
EXPIRED TERMS) INSTRUMENT 2025**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 22 July 2025.

Amendments to the Handbook

- D. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Mortgage Rule Review (Execution-Only, Affordability and Expired Terms) Instrument 2025.

By order of the Board
18 July 2025

Annex

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

4 Advising and selling standards

4.1 Application

...

4.1.2D G ...

4.1.2E R To the extent that a *rule* in this chapter does not already apply to *Gibraltar-based firms* as a result of *GEN 2.3.1R*, it applies to them so far as the *rule* would have applied were it in effect before *IP completion day*.

...

4.2 Purpose

4.2.1 G ...

(2) The purpose of this chapter is to ensure that:

...

- (c) ~~the *firm* provides advice whenever it makes a sale during which there is spoken or other interactive dialogue between the *firm* and the *customer* (with exceptions for *high net worth mortgage customers* and *professional customers*, and for loans which are solely for a business purpose); [deleted]~~
- (d) ~~when there is no spoken or other interactive dialogue between the *firm* and the *customer* during the sale~~, the *firm* is able to provide an execution-only service except for certain vulnerable *customers* (*customers* for *regulated sale and rent back* and *equity release transactions*; *customers* whose main purpose is debt consolidation; and *customers* who are using the transaction in order to exercise a statutory “right to buy”) who are given advice in every case;
- (e) *execution-only sales* are only provided where the *customer* has been warned about the implications of proceeding without advice, or where the *customer* has rejected advice which has been given, and has specifically instructed the *firm* that ~~he~~ wishes they wish to do so; and

...

...

...

4.4A Initial disclosure requirements

Description of a firm's services

- 4.4A.1 R Using the methods and at the times specified in this section, a *firm* must provide the *customer* with the following information:
- (1) whether there are any limitations in the range of products that it will offer to the *customer*, and if so what those are;
 - (1A) ~~if there are any limitations in the range of the *firm*'s products about which it will provide information during a spoken or other interactive dialogue with the *customer*, what those limitations are; [deleted]~~

...

Range of products

...

- 4.4A.3A G (1) ~~MCOB 4.4A.1R(1A)~~ MCOB 4.4A.1R(1) addresses situations in which a *firm* may wish to provide information in relation to a range of products that is narrower than the full range of products offered by it to *customers*. For example, if a *customer* visits a branch of a *mortgage lender* and requests information on the mortgages offered by that lender, the lender may wish to only provide information on the mortgages which can be obtained in branch, even though it offers different mortgage products through other sales channels (such as online). A *firm* must inform a *customer* where it is limiting the provision of information in this way.
- (2) ~~MCOB 4.4A.1R(1A) builds on MCOB 4.4A.1R(1) and MCOB 4.4A.2R (which, amongst other things, have the effect that, when a *firm* gives advice, any limitations on the mortgages the *firm* will consider from within the relevant market must be disclosed). Its purpose is to make it clear that, in the case of interactions that preserve the possibility of an *execution-only sale*, if a dialogue with the *customer* permitted by MCOB 4.8A.7AR will cover only a sub-set of the mortgages offered by the *firm*, this must be disclosed.~~

...

- 4.4A.6 G The disclosure required by *MCOB 4.4A.1R(1)* ~~and (1A)~~, *MCOB 4.4A.2R* and *MCOB 4.4A.4R(1)* about limitations in product range and information provision, and about *direct deals*, should be expressed in simple,

clear terms. A *firm* may wish to consider using a sentence (or sentences) appropriate to the circumstances, along the following lines:

...

...

4.7A Advised sales

4.7A.1 G ...

- (3) ~~The rules at MCOB 4.8A also provide that advice must be given wherever the sales process involves spoken or other interactive dialogue (except for *high net worth mortgage customers*, *professional customers* and loans solely for a business purpose), unless that spoken or other interactive dialogue is of a sort described by MCOB 4.8A.7AR. They do not prohibit the giving of pre-contract or preliminary information which does not amount to advice to the particular *customer*, but mean that advice must be given before a *firm* enters into or arranges a regulated mortgage contract, or variation of such contract, unless (where the dialogue is not of a sort described by MCOB 4.8A.7AR) the requirements of the various exceptions in MCOB 4.8A are satisfied. *Firms* may wish to refer to PERG (particularly PERG 4.6) for guidance on the regulatory perimeter in relation to advising on home finance transactions. [deleted]~~

...

...

4.8A Execution-only sales

Scope and application of this section

- 4.8A.1 G This section sets out the conditions which must be satisfied for a *firm* to enter into or vary a *regulated mortgage contract* with a *customer*, or arrange such a transaction for a *customer*, without giving advice, or where the advice given by the *firm* has been rejected. ~~As explained in MCOB 4.7A.1G, it does not prohibit the giving of pre-contract or preliminary information which does not amount to advice to the particular *customer*. If the interaction with the *customer* constitutes or includes advice or a recommendation (see PERG 4.6), then, unless the *customer* has rejected advice, the sale cannot be an execution-only sale, and the *firm* would need to comply with MCOB 4.7A (Advised sales).~~ If a *firm* intends (where permitted under this section) to operate a business model under which it will not give advice to particular *customers*, it may wish to refer to PERG (particularly PERG 4.6) for guidance on the regulatory perimeter in relation to the *regulated activities* which constitute advising on home finance transactions.

- 4.8A.2 G ~~Subject to certain limited exceptions, where the rules in MCOB 4.8A apply to a firm they restrict execution-only sales (which term is defined to include variations of existing contracts) to cases where: [deleted]~~
- ~~(1) there is no spoken or other interactive dialogue between the firm and the customer during the sale; or~~
 - ~~(2) if there is spoken or other interactive dialogue between the firm and the customer during the sale:~~
 - ~~(a) the customer is a high net worth mortgage customer; or~~
 - ~~(b) the customer is a professional customer; or~~
 - ~~(c) the loan is solely for a business purpose;~~
 - ~~and in each case the customer has positively elected to proceed with an execution-only sale and (in the case of a professional customer) identified the product he wishes to purchase; or~~
 - ~~(2A) if there is spoken or other interactive dialogue between the firm and the customer during the sale, the firm's contribution to the dialogue is limited to:~~
 - ~~(a) factual information about a regulated mortgage contract (provided that it is not personalised to the customer), the process of applying for one, or the processing of an application; the making of arrangements related to such matters;~~
 - ~~(b) the provision of an European Standardised Information Sheet (ESIS) or an illustration; or~~
 - ~~(c) an explanation of the information provided under MCOB 4.8A.14R(4) (that the firm has not assessed the suitability of the regulated mortgage contract); or~~
 - ~~(3) the customer has rejected advice, identified the product he wishes to purchase and positively elected to proceed with an execution-only sale.~~

~~In each case certain requirements must be satisfied.~~

- 4.8A.3 G ~~Interactive dialogue includes SMS, mobile instant messaging, email and communication via social media sites; this list is not exhaustive. Where a sale is carried out entirely on the internet, a firm merely permitting the customer to input details about the matters specified in MCOB 4.8A.14R (1), (2) or (3) in order to select from the firm's product range the regulated mortgage contract they wish to purchase, or the variation they wish to enter into, would not be engaging in interactive dialogue. [deleted]~~

The customer's best interests

4.8A.4 G ...

4.8A.4A R A firm must consider what procedures it is appropriate to establish to identify *execution-only customers* for whom advice on suitability, or other customer support, may be necessary to avoid causing foreseeable harm in connection with entering into or varying a *regulated mortgage contract*.

...

4.8A.6 G ~~Firms are not prohibited from entering into or arranging *execution-only sales* for *regulated mortgage contracts* for customers to whom they have provided product information (where otherwise permitted under this section), but MCOB 2.5A.1R and MCOB 4.8A.5R (The customer's best interests) mean the information they provide that a *firm* should not steer the *customer* to elect to enter into an *execution-only sale*.~~

...

Cases where *execution-only sales* are not permitted

4.8A.7 R A firm must not enter into or arrange an *execution-only sale* for a *regulated mortgage contract* if:

...

- (3) ~~there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale, except as described by MCOB 4.8A.7AR; or [deleted]~~

...

4.8A.7A R ~~The *firm* may carry on a spoken or other interactive dialogue with the *customer*, provided that the content of the *firm's* contribution to the dialogue is limited to: [deleted]~~

- (1) ~~the provision of factual information to the *customer* about:~~
- ~~(a) a *regulated mortgage contract*, provided that the information about the contract is not personalised to the *customer*; or~~
 - ~~(b) the process of applying for a *regulated mortgage contract*; or~~
 - ~~(c) the processing of an application for a *regulated mortgage contract*; or~~
- (2) ~~the making of practical arrangements related to such matters; or~~
- (3) ~~the provision of an *illustration* or an *European Standardised Information Sheet (ESIS)*; or~~

- (4) ~~an explanation of the information which the *firm* gives to the *customer* in accordance with *MCOB* 4.8A.14R(4).~~
- 4.8A.7B G (1) ~~If the interaction with the *customer* constitutes or includes advice or a recommendation (see *PERG* 4.6), the sale cannot be an *execution-only sale* and the *firm* would need to comply with *MCOB* 4.7A (Advised sales). [deleted]~~
- (2) ~~*MCOB* 4.8A.7AR allows some interaction with a *customer* without the dialogue triggering the need for the *firm* to give advice in compliance with *MCOB* 4.7A.~~
- (3) ~~*MCOB* 4.8A.7AR would, for example, permit a *firm* to provide generic information to a *customer* in response to a telephone query about the *firm's* products, fees and charges, about processes and timescales, about how to complete an application, or about the progress of the application. But information about a *regulated mortgage contract* which is personalised to the *customer* is not permitted, for example giving an estimate of the monthly payment due in respect of the amount that the *customer* wishes to borrow under the product they wish to take: giving such information would mean the *firm* would need to comply with *MCOB* 4.7A. The *firm* may, however, issue an *illustration* or an *European Standardised Information Sheet (ESIS)* which contains information personalised to the *customer* without that action triggering the need for advice. The *firm* may also explain to the *customer* the information which the *firm* provides in accordance with *MCOB* 4.8A.14R(4) (in relation to the *firm* not assessing the suitability of the *regulated mortgage contract*).~~
- (4) ~~Examples of spoken or other interactive dialogue which are or are not permitted under *MCOB* 4.8A.7AR include:~~

Providing the <i>customer</i> with copies of product literature, or weblinks to such literature	This would be permitted, if the provision is in response to a request from a <i>customer</i> who has identified the main features of the mortgage they want and is accompanied by an indication that the products described in the literature all have those features (see <i>PERG</i> 4.6.15G(6)).
Listing the current fixed and variable rates on offer	This would be permitted.
Explaining the advantages and disadvantages of fixed rate and variable rate mortgages	This would be permitted if done in purely generic terms, provided that the explanation does not itself

	<p>constitute advice (see <i>PERG</i> 4.6.15G(2) and 4.6.16G) which would prevent the sale from proceeding as an <i>execution-only sale</i>.</p> <p>Where the explanation is couched in the terms of the <i>customer's</i> circumstances, it is personalised to the <i>customer</i>. As such, the interaction is not of a sort permitted by <i>MCOB</i> 4.8A.7AR, the sale cannot be an <i>execution-only sale</i> and the <i>firm</i> would need to comply with <i>MCOB</i> 4.7A.</p>
Giving the <i>customer</i> an indication of the monthly cost of a <i>regulated mortgage contract</i>	<p>This would be permitted, if it were in the form of a generic example, including by way of comparison of two mortgages.</p> <p>But this would not be permitted if it were an indication personalised to the <i>customer</i>, for example where the indication is of the monthly cost in respect of the amount which the <i>customer</i> wishes to borrow over the term for which the <i>customer</i> wishes to borrow it; such an interaction will trigger the need for advice and the <i>firm</i> would need to comply with <i>MCOB</i> 4.7A.</p>
Talking the <i>customer</i> through a decision tree	<p>This would not be permitted. Although the question of whether decision trees constitute advice is discussed at <i>PERG</i> 4.6.15G, the act of talking the <i>customer</i> through such a decision-making process is likely to involve doing more than merely providing the <i>customer</i> with factual information; as that interaction is not of a sort permitted by <i>MCOB</i> 4.8A.7AR, the sale cannot be an <i>execution-only sale</i> and the <i>firm</i> would need to comply with <i>MCOB</i> 4.7A.</p>
Responding to a query about how to fill out an application form (for example: telling	<p>This would be permitted, as it is information about the process of applying for a mortgage and the</p>

a <i>customer</i> what supporting documents are acceptable as proof of address or identity and how to supply them, or how to calculate and report their income or expenditure)	making of arrangements (how to supply supporting evidence) related to that process.
Discussing the use of panel solicitors	This would be permitted, provided such discussions are limited to factual information about, for example, whether or not a particular firm of solicitors is on the lender's panel and what legal fees are or are not included in the mortgage offer.
Taking credit card details by phone to cover payment of a required valuation	This would be permitted, as it is about the making of practical arrangements related to the processing of an application for a <i>regulated mortgage contract</i> .
Rescheduling a property valuation	This would be permitted because the interaction is about the making of arrangements related to the processing of the application.
Calling the <i>customer</i> to tell them that an application for a <i>regulated mortgage contract</i> needs to be submitted in the next two <i>days</i> if a new (higher) interest rate is not to apply	<p>This would be permitted, if it were in the form of a generic communication about the <i>firm</i> planning to change its product offering or interest rates in the near future, and indicating the deadline for applying for the current product.</p> <p>However, a communication about a particular <i>regulated mortgage contract</i> that the <i>firm</i> knows or reasonably suspects the <i>customer</i> may wish to apply for, and the product it will be replaced with or the rate that will apply if an application for such a product is received after a particular date, would not be permitted as this is information which is personalised to the <i>customer</i>.</p>

...

~~Exceptions~~ Exception: high net worth mortgage customers, ~~professional customers and loans solely for a business purpose~~

4.8A.9 R (1) ...

(2) ~~MCOB 4.8A.7R(3) does not apply where the customer is a professional customer or the loan is solely for a business purpose.~~

Exception: rate switches and other variations

4.8A.10 R (1) *MCOB 4.8A.7R* does not apply in the case of a variation of a *regulated mortgage contract*, provided that:

...

(b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*, ~~using only a non-interactive channel~~, all products offered by it for which the *customer* is eligible, ~~whether or not the customer then selects from those products using an interactive channel~~; and

...

(3) ~~Where a customer informs their existing mortgage lender that they are considering redeeming their regulated mortgage contract by refinancing it with a regulated mortgage contract through another mortgage lender, MCOB 4.8A.7R(3) does not apply to the existing mortgage lender provided that: [deleted]~~

(a) ~~the customer specifies to the existing mortgage lender at least the following information in relation to the replacement regulated mortgage contract:~~

(i) ~~the rate of interest;~~

(ii) ~~the interest rate type (that is, whether fixed, variable or some other type);~~

(iii) ~~the length of the term required by the customer;~~

(iv) ~~the sum the customer wishes to borrow; and~~

(v) ~~whether the customer wants an interest only mortgage or a repayment mortgage; and~~

(b) ~~the existing mortgage lender presents to the customer, in a durable medium, those of its products for which the customer is eligible and which match the features the customer specifies.~~

...

Requirements for execution-only sales

4.8A.14 R A *firm* must not enter into or *arrange* an *execution-only sale* for a *regulated mortgage contract* unless, except as provided in *MCOB* 4.8A.15R:

- (1) for a new *regulated mortgage contract* not falling within *MCOB* 4.8A.10R, the *customer* has identified the *regulated mortgage contract* ~~he wishes~~ they wish to purchase, specifying to the *firm* at least the following information:

...

- (2) for a contract variation not falling within *MCOB* 4.8A.10R (but permitted by *MCOB* 4.8A.7R), the *customer* has specified at least the following information, where applicable to the variation ~~he wishes~~ they wish to enter into:

...

- (3) for a contract variation falling within *MCOB* 4.8A.10R, the *customer* has specified the variation ~~he wishes~~ they wish to enter into;
- (4) the *customer* has been informed, either clearly and prominently and in a *durable medium* or in an oral statement that is audio or video recorded (after providing the information in (1), (2), or (3), where that is required), and with the information required by this paragraph being separate from any other information or contractual documentation):
 - (a) in any case falling within *MCOB* 4.7A.24R (Rejected advice) where the *firm* has advised the *customer* that the *regulated mortgage contract* (or variation) is unsuitable for the *customer*, that that is the case; or
 - (b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *regulated mortgage contract* (or variation);

and in either case that the *customer* will not benefit from the protection of the rules (in *MCOB* 4.7A) on assessing suitability. In any case where there is spoken dialogue between the *firm* and the *customer* at any point during the sale, ~~other than dialogue of a sort permitted by *MCOB* 4.8A.7AR,~~ the *firm* must provide this information orally (even if it also provides it in a *durable medium*); and

- (5) once the *customer* has been provided with the information in (4), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale, the *customer* has confirmed in writing to the *firm*, or has confirmed orally to the *firm* (and that confirmation is audio or video recorded), that they are aware of the consequences of losing the protections of the *rules* on assessing

suitability and are making a positive election to proceed with an *execution-only sale*.

...

4.8A.16 G ...
A

4.8A.16 G Interactive dialogue includes SMS, mobile instant messaging, email and communication via social media sites; this list is not exhaustive. Where a sale is carried out entirely on the internet, a *firm* merely permitting the *customer* to input details about the matters specified in *MCOB* 4.8A.14R(1), (2) or (3) in order to select from the *firm's* product range the *regulated mortgage contract* they wish to purchase, or the variation they wish to enter into, would not be engaging in interactive dialogue.

...

8 Equity release: advising and selling standard

...

8.6A Execution-only sales

...

The conditions for execution-only sales

8.6A.4 R A *firm* must not enter into or *arrange* an *execution-only sale* for an *equity release transaction* unless:

...

- (2) the *customer* has identified which particular *equity release transaction* ~~he wishes~~ they wish to purchase, and specified to the *firm* at least the required additional information (where applicable);
- (3) after providing the required information in (2), the *customer* has been informed, clearly and prominently and in a *durable medium*, and that the *customer* will not benefit from the protection of the rules (in *MCOB* 8.5A) on assessing suitability:
 - (a) in any case where the *firm* has advised the *customer* that the *equity release transaction* is unsuitable for the *customer*, that that is the case; and
 - (b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *equity release transaction*;

and in either case that the *customer* will not benefit from the protection of the rules (in *MCOB* 8.5A) on assessing suitability. In any case where

there is spoken dialogue between the *firm* and the *customer* at any point, the *firm* must also provide this information orally; and

- (4) after the *customer* has been provided with the information in (3), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point, the *customer* has confirmed in writing to the *firm* that ~~he is~~ they are aware of the consequences of losing the protections of the rules on assessing suitability and ~~is~~ are making a positive election to proceed with an *execution-only sale*. The written confirmation must be in the same document as the information in *durable medium* in (3), which must be separate from any other information and contractual documentation.

Exception: rate switches and other variations to lifetime mortgages

- 8.6A.5 R (1) The condition in *MCOB* 8.6A.4R(1) does not apply in the case of a variation of a *lifetime mortgage*, provided that:

...

- (b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*, ~~using a non-interactive channel~~, all products offered by it for which the *customer* is eligible, ~~whether or not the customer then selects from those products using an interactive channel~~.

...

...

11 Responsible lending, and responsible financing of home purchase plans

...

11.6 Responsible lending and financing

...

The assessment of affordability

...

11.6.3 R ...

- (3) *MCOB* 11.6.2R does not apply to a variation to the terms of a *regulated mortgage contract* or *home purchase plan* which:

...

- (b) reverses (in full or in part) a term extension within six *months* of it taking effect; or

...

...

- (5) Paragraph (3)(b) only applies where the contract:
- (a) has not previously been varied in reliance on that paragraph; and
 - (b) is not a *bridging loan* or a *second charge regulated mortgage contract*.
- (6) MCOB 11.6.2R does not apply to a variation to the terms of a regulated mortgage contract or home purchase plan which reduces its term. A firm must consider affordability in line with Principle 12 (Consumer Duty) and PRIN 2A and its responsible lending policy.

...

11.9 Remortgaging with the same or a different lender with no additional borrowing

Application and purpose

- 11.9.1 R (1) Subject to (2), this section applies to a *firm* in relation to a *customer* who:
- (a) is a borrower under a *regulated mortgage contract* (“the existing *regulated mortgage contract*”), whether with that *firm* or a different *firm*; and
 - (b) wishes to enter into a new *regulated mortgage contract* (“the proposed *regulated mortgage contract*”) with that *firm* to replace the existing *regulated mortgage contract*.

...

...

- 11.9.3 G (1) The purpose of this section is to facilitate borrowers switching mortgages, provided that they are not taking out additional borrowing. But the mortgage does not have to be exactly like-for-like and the borrower can, for example:

...

- (2) This section permits *firms* to choose to modify certain provisions when assessing a *customer’s* ability to afford a mortgage. The provisions capable of modification are grouped (such as the provisions linked to the assessment of income and expenditure). *Firms* can choose whether to adopt all, some, or none of the modifications in this section, on a case-by-case basis (though they cannot modify some provisions in a group and not others). ~~However, we would~~ We expect *firms* to have regard to

~~Principle 6 (“A firm must pay due regard to the interests of its customers and treat them fairly”)~~ Principle 12 and PRIN 2A (The Consumer Duty) and not unfairly apply *rules* in one case but not another where the *customers’* circumstances are otherwise the same.

...

The assessment of affordability

...

- 11.9.5 R (1) The *firm* must not enter into the proposed *regulated mortgage contract* unless that contract is more affordable for the *customer* (and any guarantor) than:
- (a) the existing *regulated mortgage contract*; or
 - (b) where the lender of the existing *regulated mortgage contract* has indicated to the *customer* a new deal, that new deal.
- (2) ...
- (3) The proposed *regulated mortgage contract* is more affordable than the new deal indicated to the *customer* by the lender of the existing *regulated mortgage contract* if:
- (a) the aggregate amount of:
 - (i) the monthly payments which would be due from the *customer* under the proposed *regulated mortgage contract* in respect of any discounted or introductory period, or (where there is no discounted or introductory period) in respect of the term of the proposed *regulated mortgage contract*; and
 - (ii) any product fee or arrangement fee which would be due from the *customer* in relation to the proposed *regulated mortgage contract*, and any fee charged by a *mortgage intermediary* for *arranging or advising on regulated mortgage contracts* in relation to the proposed *regulated mortgage contract*, which the *customer* intends to pay without including it in the amount being lent under the proposed *regulated mortgage contract*.
- is less than the aggregate amount of:
- (iii) the monthly payments which would be due from the *customer* under the indicated new deal in respect of the proposed *regulated mortgage contract’s* discounted or introductory period, or (where there is no discounted or

introductory period) in respect of the term of the indicated new deal; and

- (iv) any product fee or arrangement fee which would be due from the *customer* in relation to the indicated new deal, and any fee charged by a *mortgage intermediary* for *arranging or advising on regulated mortgage contracts* in relation to the indicated new deal, which the *customer* intends to pay without including it in the amount being lent under the indicated new deal; and

(b) the interest rate applicable under the proposed *regulated mortgage contract*:

- (i) in respect of any discounted or introductory period; or
- (ii) (where there is no discounted or introductory period) that which is expected to apply during the term of the contract,

is lower than the interest rate which would be applicable under the indicated new deal:

- (iii) in respect of any discounted or introductory period; or
- (iv) (where there is no discounted or introductory period) that which is expected to apply during the term of the contract.

11.9.6 G ...

(2) *MCOB 11.9.5R(2) ~~determines~~ and (3) determine* whether one *regulated mortgage contract* is more affordable than another. The references in that *rule*:

- (a) to a discounted or introductory period include, for example, any fixed rate period after which a different interest rate applies, and any period in respect of which interest is deferred. Where interest is due in respect of a discounted or introductory period but is deferred, it is the gross rate payable that should be considered for the purposes of the conditions in *MCOB 11.9.5R(2) and (3)*, as if interest were not deferred;

...

- (c) to aggregate amounts due under the existing *regulated mortgage contract*, or under the indicated new deal, should be taken to be on the assumption that that contract would not be redeemed early and would not incur an *early repayment charge*; and
- (d) to future payments or interest rates should be taken to be on the assumption that there is no variation to the reference rate in

question, unless the *regulated mortgage contract*, or the indicated new deal, expressly provides for a variation (for example, when considering a lifetime Bank of England base rate tracker, it should be assumed that the Bank of England base rate will remain unchanged).

Assessment of income and expenditure

- 11.9.7 R (1) A *firm* may elect that the modifications to the *rules* in *MCOB* specified in (2) are to apply in relation to the proposed *regulated mortgage contract*. The *firm* may not elect that only some of those modifications apply in relation to the proposed *regulated mortgage contract* but not others.

...

- 11.9.8 G (1) *MCOB* 11.9.7R modifies the affordability assessment required by *MCOB* 11.6, in line with the modification to *MCOB* 11.6.2R made by *MCOB* 11.9.4R. ~~This is on the basis that a customer who has evidenced an ability to afford a mortgage at a higher monthly payment than that which would be charged under the proposed regulated mortgage contract may be treated as likely to be able to afford the proposed regulated mortgage contract.~~

...

- (4) This section does not prevent a *firm* from undertaking an investigation of the *customer's* financial circumstances before offering to enter into a *regulated mortgage contract* with the *customer*. Where a *firm* does so, it may take into account that the *customer* is not in *payment shortfall* and that the proposed *regulated mortgage contract* is more affordable than the existing *regulated mortgage contract*, or the indicated new deal, when determining the nature and degree of that investigation. In particular, the *firm* may also wish to consider whether it is necessary to require the same information from the *customer* as it would from a customer who does not currently have a *regulated mortgage contract*.
- (5) If the *firm* is considering the effect of future interest rate rises on the prospect of the *customer* meeting their obligations under the proposed *regulated mortgage contract*, the *firm* may wish to have regard to the extent to which the interest rate applicable to the existing *regulated mortgage contract*, or to the indicated new deal is, or would be, higher than that applicable to the proposed *regulated mortgage contract*. The *firm* may also wish to have regard to the fact that the *customer* is not in *payment shortfall* in relation to the existing *regulated mortgage contract*.

...

Explanation of affordability assessment, and accompanying warning

- 11.9.11 R (1) This *rule* applies if a *firm* makes an election under any of the following *rules*:
- (a) *MCOB* 11.9.4R (assessment of affordability);
 - (b) *MCOB* 11.9.7R (assessment of income and expenditure);
 - (c) *MCOB* 11.9.9R (interest-only mortgages).
- (2) The *firm* must provide the *customer* with an explanation which indicates:
- (a) what steps the *firm* has taken to ascertain that the proposed *regulated mortgage contract* is more affordable than the existing *regulated mortgage contract* or the indicated new deal; and
 - (b) how the steps it has taken differ from the steps it would have taken under *MCOB* 11.6 if the *firm* had not applied *rules* in this section.
- (3) The *firm* must accompany the explanation with a warning (as relevant to the individual case) that:
- (a) interest rates may increase and the *customer* could end up paying a higher interest rate than they are currently paying under the existing *regulated mortgage contract*, or could have paid under the indicated new deal, even though the *firm* has assessed that the proposed *regulated mortgage contract* is currently more affordable;
- ...
- (c) where the term of the proposed *regulated mortgage contract* is to end later than the term of the existing *regulated mortgage contract*, or the indicated new deal, the *customer* may end up paying more in interest overall as a result of entering into the proposed *regulated mortgage contract*.

...

Internal switching policy

- 11.9.12 R (1) An internal switching policy is a policy which:
- (a) is made or approved by the *governing body* of the *firm*; and
 - (b) commits or obliges the *firm*:
 - (i) to permit an eligible *customer* to enter into a more affordable *regulated mortgage contract* (see *MCOB* 11.9.5R(2) and (3)); and

...

- (2) For the purposes of an internal switching policy, a *customer* must be eligible if:

...

- (c) the *customer* wishes to enter into a more affordable *regulated mortgage contract* with the *firm* (see *MCOB* 11.9.5R(2) and (3)); and

...

11.9.13 E If a *firm* has an internal switching policy but does not, without good reason:

- (1) permit an eligible *customer* to enter into a more affordable *regulated mortgage contract*; or
- (2) apply *MCOB* 11.6.3R or *MCOB* 11.7 (if relevant) or such of the *rules* in this section as may be necessary to enable that *customer* to enter into the more affordable *regulated mortgage contract*;

this may be relied on as tending to show contravention of ~~*Principle 6*~~ *Principle 12* and *PRIN 2A* (the Consumer Duty).

...

13 Payment difficulties and repossessions: regulated mortgage contracts and home purchase plans

...

13.2 Purpose

...

13.2.1 G ...

13.2.1A G This chapter also requires *firms* to treat expired term *customers* fairly.

...

13.3 Dealing fairly with customers: policies and procedures

...

Customers in payment difficulties: procedures

...

13.3.8 G ...

Expired term customers

- 13.3.8A R When dealing with *customers* whose mortgage terms have expired with a balance outstanding, *firms* must deal with *customers* fairly and not take repossession action unless all other reasonable attempts to resolve the position have failed.
- 13.3.8B G In complying with *MCOB* 13.3.8AR, a *firm* should consider, given the individual circumstances of a *customer*, what actions, if any, it is appropriate to take in respect of the *customer* and the *regulated mortgage contract*. This includes having regard to its obligations under *Principle 12* and *PRIN 2A* (the Consumer Duty).

...

© Financial Conduct Authority 2025
12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

Pub ref: 2-008489

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 0207 066 1000



Sign up for our **news and publications alerts**