

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Direct line: 020 7066 9346
Local fax: 020 7066 9728
Email: enquiries@fs-cp.org.uk

Natalie Evans
Association of British Insurers
51 Gresham Street
London
EC2V 7HQ

Our ref: ABI -ER/KW

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Dear Natalie

ABI Resource Pack for Financial Promotions – Equity Release Products

The Panel is again grateful for the opportunity to comment on draft guidance intended to help firms with their promotional activities. In view of the recent publicity given to failures in compliance with rules covering this higher risk product group, the Panel believes the addition of this section to the ABI Resource Pack for Financial Promotions is very timely.

The Panel does have a number of concerns about this addition to the Resource Pack. Firstly, it is unclear if this guidance is intended to cover both lifetime mortgage products and home reversion schemes or what other products may be covered, as reference is made to 'policies'. There is a reference in the guidance to prescribed risk warnings covering only lifetime mortgages. This suggests the guide covers both regulated and currently non-regulated products. If this is the case, then the Panel believes the guidance should make a clearer distinction between what guidance applies only to FSA-regulated products and what it intends to be best practice for currently unregulated home reversions. It may also be worth considering that some lifetime mortgage schemes could fall to be regulated by the Consumer Credit Act 1974.

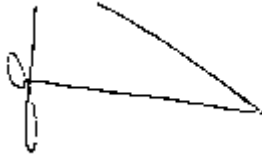
The Panel is also concerned that there may be some inaccuracies in the guide. For example, there is reference to MCOB prescribed risk warnings being recommended for lifetime mortgage products. However, the Panel's understanding of this area is that it is a *requirement* of MCOB 3.6.13R, and to fail to include the prescribed warning will result in a breach of the rules. There is also recommendation to use language the consumer is likely to understand – but the Panel believes that MCOB 3.6.4E (i) (c) would require the promotion to use plain intelligible language. And the guide also recommends firms highlight the penalties associated with repaying the mortgage. However, the Panel believes the balance requirement in the rules will mean that any firm charging, for example, an early repayment charge will need to highlight this in a promotion in order to comply.

It may well be that these problems stem from the fact that the guide attempts to cover both regulated and unregulated products. However, in not making it clear enough what the guide gives advice on, it runs the risk of encouraging non-compliance in certain areas.

The Panel is also concerned about the distinction between a recommendation and best practice. It believes that some suggested best practice guidelines are covered by the rules in MCOB 3. Therefore the ABI should be making stronger recommendations for compliance than simply implying it would be best practice to follow the guidance. The Panel believes the guide would be more successful in achieving its stated aims if it were a set of compulsory standards for ABI members.

Once again thank you for giving the Panel this opportunity to comment on the draft guidance.

Yours sincerely

A handwritten signature in black ink, consisting of a vertical line with a loop at the bottom, a horizontal line extending to the right, and a diagonal line extending upwards and to the right from the end of the horizontal line.

John Howard
Chairman
Financial Services Consumer Panel