

Financial Promotions Sign off Process and Procedures for Appointed Representatives (AR's)

The FSA requires all financial promotions meet standards set out in the Mortgage and Home Finance: Conduct of Business source book (MCOB) rules.

As the Principal firm we must approve and confirm the compliance of all financial promotions, including websites. AR's are not able to communicate financial promotions without formal approval from Mortgages for Business.

A non-real time qualifying credit promotion will typically have the following characteristics:

- The promotion is communicated to more than one person in identical terms;
- The promotion is communicated by a system that creates a record which is available for the recipient to refer to at a later time; and
- The promotion is communicated by a means that does not require the recipient to immediately respond to it.

This would typically mean that a non-real time promotion would be something similar to mailshots, circulars, radio and television broadcasts, catalogues, magazines, price lists, notices and signs, web-sites, faxes, E-mails, seminars, and presentations".

There are checklists that are to be completed and these need to be submitted to us, as appropriate, for approval with a copy of the financial promotion that is to be used. Either approval will be given, a note on amendments to be made, or a reason why it cannot be authorised.

Financial Promotions Guidance

- Where firms refer to debt consolidation in a financial promotion they should also include wording to indicate that using a mortgage to consolidate debts will increase the amount of credit secured against the home and that paying back previously short term debts over a longer period will mean that a greater total amount of interest will be repaid over the term.
- The FSA has also confirmed that where a financial promotion makes reference to buy-to-let products / commercial mortgages / overseas mortgages and debt consolidation, **in addition to residential mortgages**, the risk warning can be amended to incorporate this as follows: *'Think carefully before securing other debts against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage'*.
- Where firms indicate in a financial promotion that the customer may be able to achieve a monetary saving as a result of mortgage services offered by your firm; we suggest that you include wording which gives a clear indication of how any such saving would be achieved.
- FSA believe that the prominence of pertinent information can play a key role in ensuring that a financial promotion communication is clear, fair and not misleading. Prominence is assessed in the context of the financial promotion as a whole. Use can be made of the positioning of text, background, text colour and type size to ensure that the prescribed information meets the MCOB requirements. Also ensure that the required risk statements are not surrounded by other information that could be seen to detract from the prominence of the risk statements themselves.
- Websites are financial promotions and must comply with the rules and guidance. Further guidance on expectations in relation to websites can be found in MCOB 3.12. Particular attention should be given to risk warnings and details about fees (see below).
- Fee information is an important part of a financial promotion, especially in relation to promotions offering mortgage products and services. With this being the case, if there is any chance that a fee will be charged for offering or arranging a mortgage, a clear and prominent indication of this fee should be included within the promotion. If the firm holds themselves out as independent in a promotion then the consumer has to be given the option to pay a fee to the mortgage broker so they can be assured that the advice they receive is in no way linked to any possible commission the broker may receive, in such cases, the fee must be stated in the promotion without exception. Wording should be

along the lines of “There may be a fee for mortgage advice, the precise amount will depend on your circumstances but we estimate that it will be £XXX. Alternatively, you can choose the fee only option which is typically 1.95% of the amount borrowed. The precise amount will depend on your circumstances and loan amount, and will be discussed and agreed before you make an application”.

- Firms do not have to include a statement about their regulatory status in their financial promotions. However, if they choose to do so, and the promotion refers to regulated and unregulated business, then the promotion should distinguish between regulated and unregulated business.