

Mortgage Strategy Article 17 Nov 2008

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Even optimists carry an umbrella

There are certain precautions that just make so much sense we just don't think about them any more. It's always rained (more frequently it seems these days) so we have a brolly. Road traffic accidents are a daily occurrence so we buckle up. But this was not always so. As car ownership is a relatively new phenomenon born out of the Fifties it took 20 odd years of horrific injuries before there was an awareness campaign with Sir Jimmy reminding us to 'Clunk Click every trip'. Although memorable, clearly this campaign did not have the desired effect as legislation was sanctioned in the late Eighties to compel us to wear these life savers.

The clever money has always been to heed the warnings or work it out for yourself before the peril occurs. And the peril I am hoping the industry will protect itself against is that of meeting the FSA standards of principled based mortgage regulation.

We are seeing final notices being published every week by the FSA, censuring and fining brokers. This article is not aimed at those sort of businesses, who it is doubtful would be reading this anyway. It is aimed at you. The good honest firm who is fighting for survival in difficult economic conditions.

There is a double whammy coming over the horizon looking for the potential of missold mortgages; the small firms regional assessments from the FSA in one direction and the inevitable rise in complaints from borrowers in financial distress from the other. Not to mention the claims management companies shamelessly trying to drum up business by incentivising brokers to identify their own industry's potential missales. Unbelievable!

How sure are you that your safety belt is secured properly, or if you remembered to put your brolly in your bag this stormy day?

There are two areas that need to be satisfied. Can systems and controls be demonstrated to be up to scratch and is there any part of your previous four years of sales that you may have hesitancy in defending under cross examination by a supervisor, or worse?

If either of these is starting to keep you awake at night, all is not lost. Taking proactive action now will act as a highly effective precaution to mitigate sanctions if there is an issue discovered down the line.

Obtaining an external second opinion as an initial evaluation only takes a few days and can deliver huge value in terms of peace of mind releasing a new vigour to proceed in fighting for business. Alternatively if issues are found then a remedial action plan can be drawn up and worked towards in conjunction with returning to business as usual. Containing the problem and having a plan to resolve it can be just as reassuring as getting a clean bill of health.

There is no shame in scrutinising what has been done in the past, indeed the regulator encourages firms to do so. So don't ignore the warning signs, take action to protect yourself. Remember the perspective of the consumer champion is that burglars don't carry umbrellas but optimists do. Let's all be optimistic.