

**HOME REVERSION AND HOME PURCHASE ACTIVITIES (CONSEQUENTIAL AMENDMENTS TO THE HANDBOOK) INSTRUMENT 2006**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 138 (General rule-making powers);
    - (b) section 139(4) (Miscellaneous ancillary matters);
    - (c) section 145 (Financial promotion rules);
    - (d) section 146 (Money laundering rules);
    - (e) section 149 (Evidential provisions);
    - (f) section 150(2) (Actions for damages);
    - (g) section 156 (General supplementary powers);
    - (h) section 157(1) (Guidance);
    - (i) section 213 (The compensation scheme);
    - (j) section 214 (General);
    - (k) section 234 (Industry funding);
    - (l) section 332(1) (Rules in relation to persons to whom the general prohibition does not apply);
    - (m) section 340(1) (Appointment of auditors and actuaries); and
    - (n) paragraph 17(1) of Schedule 1 (Fees); and
  - (2) regulation 3 of The Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (S.I. 2002/1775); and
  - (3) the other powers referred to in Schedule 4 of the General Provisions.
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

**Commencement**

- C. Subject to The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2006 (SI No 2006/2383) being in force on 6 November 2006, this instrument comes into force as follows:
- (1) the amendments in Part 1 of Annex A and Part 1 of Annex D come into force on 6 November 2006;
  - (2) the remainder of this instrument comes into force on 6 April 2007.

## Amendments to the Handbook

- D. The Prudential sourcebook for Mortgage Firms and Insurance Intermediaries (or MIPRU) shall be cited as Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (or MIPRU) and all references in the Handbook are changed accordingly.
- E. The modules of the FSA's Handbook of rules and guidance listed in column (1) below are amended in accordance with Annexes to this instrument listed in column (2) below:

| (1)  | (2)     |
|--|---------|
| Glossary of definitions  | Annex A |
| Principles for Businesses (PRIN)   | Annex B |
| General Provisions sourcebook (GEN)  | Annex C |
| Fees Manual (FEES)   | Annex D |
| Senior Management Arrangements, Systems and Controls sourcebook (SYSC)                             | Annex E |
| Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (or MIPRU) | Annex F |
| Conduct of Business sourcebook (COB)   | Annex G |
| Insurance: Conduct of Business sourcebook (ICOB)   | Annex H |
| Training and Competence sourcebook (TC)  | Annex I |
| Supervision manual (SUP)   | Annex J |
| Compensation sourcebook (COMP)   | Annex K |
| Electronic Commerce Directive sourcebook (ECO)   | Annex L |

- F. All references to '*regulated lifetime mortgage contract*' in the Handbook are amended to '*lifetime mortgage*'.

## Citation

- G. This instrument may be cited as the Home Reversion and Home Purchase Activities (Consequential Amendments to the Handbook) Instrument 2006.

By order of the Board  
25 October 2006

## Annex A

### Amendments to the Glossary of definitions

#### Part 1

Insert the following new definitions in the appropriate alphabetical position:

*advising on a home finance transaction* any of the *regulated activities* of *advising on regulated mortgage contracts*, *advising on a home purchase plan* or *advising on a home reversion plan*.

*advising on a home purchase plan* the *regulated activity*, specified in article 53C of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

- (a) is given to him in his capacity as a *home purchaser* or potential *home purchaser*; and
- (b) is advice on the merits of his:
  - (i) entering into a particular *home purchase plan*; or
  - (ii) varying the terms of a *home purchase plan* entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.

*advising on a home reversion plan* the *regulated activity*, specified in article 53B of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

- (a) is given to him in his capacity as *reversion occupier* or plan provider or potential *reversion occupier* or potential plan provider; and
- (b) is advice on the merits of his:
  - (i) entering into a particular *home reversion plan*; or
  - (ii) varying the terms of a *home reversion plan* entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.

*arranging (bringing about) a home finance transaction* any of the *regulated activities* of *arranging (bringing about) a regulated mortgage contract*, *arranging (bringing about) a home purchase plan* or *arranging (bringing about) a home reversion plan*.

*arranging (bringing* the *regulated activity*, specified in article 25C(1) of the *Regulated Activities*

|   |  |
|---|--|
| <i>about) a home purchase plan</i>                      | <p><i>Order</i>, which is in summary: making arrangements for another <i>person</i> to:</p> <ul style="list-style-type: none"> <li>(a) enter into a <i>home purchase plan</i> as <i>home purchaser</i>; or</li> <li>(b) vary the terms of a <i>home purchase plan</i> entered into by him as <i>home purchaser</i> on or after 6 April 2007.</li> </ul>  |
| <i>arranging (bringing about) a home reversion plan</i> | <p>the <i>regulated activity</i>, specified in article 25B(1) of the <i>Regulated Activities Order</i>, which is in summary: making arrangements for another <i>person</i> to:</p> <ul style="list-style-type: none"> <li>(a) enter into a <i>home reversion plan</i> as <i>reversion occupier</i> or as plan provider; or</li> <li>(b) vary the terms of a <i>home reversion plan</i> entered into by him as <i>reversion occupier</i> or as plan provider on or after 6 April 2007.</li> </ul> |
| <i>entering into a home finance transaction</i>         | any of the <i>regulated activities</i> of <i>entering into a regulated mortgage contract</i> , <i>entering into a home purchase plan</i> or <i>entering into a home reversion plan</i> .   |
| <i>entering into a home purchase plan</i>               | the <i>regulated activity</i> , specified in article 63F(1) of the <i>Regulated Activities Order</i> , which is in summary: entering into a <i>home purchase plan</i> as provider.   |
| <i>entering into a home reversion plan</i>              | the <i>regulated activity</i> , specified in article 63B(1) of the <i>Regulated Activities Order</i> , which is in summary: entering into a <i>home reversion plan</i> as provider, or acquiring any obligations or rights (including his interest in land) of the plan provider under a <i>home purchase plan</i> entered into by him on or after 6 April 2007.   |
| <i>home finance adviser</i>                             | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) for <i>advising on a home finance transaction</i> .   |
| <i>home finance arranger</i>                            | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) for <i>arranging a home finance transaction</i> .   |
| <i>home finance provider</i>                            | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) for <i>entering into a home finance transaction</i> .   |
| <i>home purchase plan</i>                               | (in accordance with article 63F(3) of the <i>Regulated Activities Order</i> ) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:   |

- (a) the arrangement is one under which a *person* (the 'home purchase provider') buys a *qualifying interest in land* or an undivided share of a *qualifying interest in land*;
- (b) where an undivided share of a *qualifying interest in land* is bought, the interest is held on trust for the home purchase provider and the individual or trustees in (c) as beneficial tenants in common;
- (c) the arrangement provides for the obligation of an individual or trustees (the *home purchaser*) to buy the interest bought by the home purchase provider during the course of or at the end of a specified period; and
- (d) the *home purchaser* (if he is an individual) or an individual who is a beneficiary of the trust (if the *home purchaser* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling during that period and intends to do so;

in this definition "related person" means:

- (A) that *person's* spouse or civil partner;
- (B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (C) that *person's* parent, brother, sister, child, grandparent or grandchild.

*home purchase provider* a *firm* with *permission* (or which ought to have *permission*) for *entering into a home purchase plan*.

*home purchaser* the individual (or trustees), specified in article 63F(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) obliged under a *home purchase plan* to buy the interest in land bought by the home purchase provider (as defined in article 63F(3) of the *Regulated Activities Order*) over the course of or at the end of a specified period; and
- (b)
  - (i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or
  - (ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

*home  
reversion plan*

(in accordance with article 63B(3) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements which meets the following conditions at the time it is entered into:

- (a) the arrangement is one under which a *person* (the *reversion provider*) buys all or part of a *qualifying interest in land* from an individual or trustees (the *reversion occupier*);
- (b) the *reversion occupier* (if he is an individual) or an individual who is a beneficiary of the trust (if the *reversion occupier* is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; and
- (c) the arrangement specifies that the entitlement to occupy will end on the occurrence of one or more of:
  - (i) a *person* in (b) becoming a resident of a care home;
  - (ii) a *person* in (b) dying; or
  - (iii) the end of a specified period of at least twenty years from the date the *reversion occupier* entered into the arrangement;

in this definition "related person" means:

- (A) that *person's* spouse or civil partner;
- (B) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or
- (C) that *person's* parent, brother, sister, child, grandparent or grandchild.

*qualifying  
interest in land*

(in accordance with article 63B(4)(a) of the *Regulated Activities Order*) land (other than timeshare accommodation) in the *UK* which is:

- (a) in relation to land in England and Wales, an estate in fee simple absolute or a term of years absolute whether subsisting at law or in equity; or
- (b) in relation to land in Scotland, the interest of an owner in land or the tenant's right over or interest in a property subject to a lease; or
- (c) in relation to land in Northern Ireland, any freehold estate or any leasehold estate whether subsisting at law or in equity.

*reversion occupier* the individual (or trustees), specified in article 63B(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) the *person* (or *persons*) from whom all or part of an interest in land is bought as part of an arrangement comprising a *home reversion plan*; and
- (b)
  - (i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or
  - (ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

*reversion provider* a *firm* with *permission* (or which ought to have *permission*) for *entering into a home reversion plan*.

## **Part 2**

Insert in the following new definitions in the appropriate alphabetical position:

*administering a home finance transaction* any of the *regulated activities* of *administering a regulated mortgage contract*, *administering a home purchase plan* or *administering a home reversion plan*.

*administering a home purchase plan* the *regulated activity*, specified in article 63F(2) of the *Regulated Activities Order*, which is in summary: *administering a home purchase plan* where the plan was entered into by way of business on or after 6 April 2007.

*administering a home reversion plan* the *regulated activity*, specified in article 63B(2) of the *Regulated Activities Order*, which is in summary: *administering a home reversion plan* where the plan was entered into on or after 6 April 2007.

*annual statement provisions* (in *MCOB*) in relation to a:

- (a) *regulated mortgage contract*, *MCOB 7.5*;
- (b) *home purchase plan*, *MCOB 7.8.3R* to *MCOB 7.8.6R*; and
- (c) *instalment reversion plan*, *MCOB 9.9.1R* to *MCOB 9.9.4R*.

*APR rules* *MCOB 10*.

*distance marketing information*

(in MCOB) MCOB 6 Annex 1.

*distance home purchase mediation contract*

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on a home purchase plan*;
- (b) *arranging (bringing about) a home purchase plan*;
- (c) *making arrangements with a view to a home purchase plan*;  
or
- (d) *agreeing to carry on a regulated activity in (a) to (c)*.

*equity release activity*

any *regulated mortgage activity* carried on in relation to a *lifetime mortgage*, or a *reversion activity*.

*equity release adviser*

a *firm* with *permission* (or which ought to have *permission*) for:

- (a) *advising on regulated mortgage contracts* (when carried on in relation to a *lifetime mortgage*); or
- (b) *advising on a home reversion plan*.

*equity release arranger*

a *firm* with *permission* (or which ought to have *permission*) for *arranging* a:

- (a) *regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or
- (b) *home reversion plan*.

*equity release intermediary*

a *firm* with *permission* (or which ought to have *permission*) to carry on *equity release mediation activity*.

*equity release mediation activity*

any of the *regulated activities* of:

- (a) *arranging a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*;
- (b) *advising on a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*;  
or
- (c) *agreeing to carry on a regulated activity in (a) or (b)*.



|  |   |
|--|---|
| <i>equity release provider</i>         | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) for: <ul style="list-style-type: none"> <li>(a) <i>entering into a regulated mortgage contract</i> (when carried on in relation to a <i>lifetime mortgage</i>); or</li> <li>(b) <i>entering into a home reversion plan</i>.</li> </ul>                               |
| <i>equity release transaction</i>      | a <i>lifetime mortgage</i> or a <i>home reversion plan</i> .  |
| <i>home finance activity</i>           | any <i>home finance mediation activity</i> , <i>home finance providing activity</i> or <i>administering a home finance transaction</i> .  |
| <i>home finance administrator</i>      | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) for <i>administering a home finance transaction</i> .  |
| <i>home finance intermediary</i>       | a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i> ) to carry on a <i>home finance mediation activity</i> .   |
| <i>home finance mediation activity</i> | any <i>mortgage mediation activity</i> , <i>home purchase mediation activity</i> or <i>reversion mediation activity</i> .   |
| <i>home finance providing activity</i> | any of the <i>regulated activities</i> of: <ul style="list-style-type: none"> <li>(a) <i>entering into a regulated mortgage contract</i>;</li> <li>(b) <i>entering into a home purchase plan</i>;</li> <li>(c) <i>entering into a home reversion plan</i>; or</li> <li>(d) <i>agreeing to carry on a regulated activity</i> in (a) to (c).</li> </ul> |
| <i>home finance transaction</i>        | a <i>regulated mortgage contract</i> , <i>home purchase plan</i> or <i>home reversion plan</i> .  |
| <i>home purchase activity</i>          | any of the <i>regulated activities</i> of: <ul style="list-style-type: none"> <li>(a) <i>arranging (bringing about) a home purchase plan</i> (article 25C(1));</li> <li>(b) <i>making arrangements with a view to a home purchase plan</i> (article 25C(2));</li> <li>(c) <i>advising on a home purchase plan</i> (article 53C);</li> </ul>           |

- (d) *entering into a home purchase plan* (article 63F(1));
- (e) *administering a home purchase plan* (article 63F(2)); or
- (f) *agreeing to carry on a regulated activity in (a) to (e)* (article 64).

*home purchase administrator* a firm with *permission* (or which ought to have *permission*) for *administering a home purchase plan*.

*home purchase adviser* a firm with *permission* (or which ought to have *permission*) for *advising on a home purchase plan*.

*home purchase arranger* a firm with *permission* (or which ought to have *permission*) for *arranging a home purchase plan*.

*home purchase intermediary* a firm with *permission* (or which ought to have *permission*) to carry on a *home purchase mediation activity*.

*home purchase mediation activity* any of the following *regulated activities*:

- (a) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (b) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (c) *advising on a home purchase plan* (article 53C); or
- (d) *agreeing to carry on a regulated activity in (a) to (c)* (article 64).

*instalment reversion plan* a *home reversion plan* under which more than one payment is made to the *customer* during the life of the plan.

*keyfacts logo provisions* GEN 5.1 and GEN 5 Annex 1G.

*making arrangements with a view to a home finance transaction* any of the *regulated activities* of *making arrangements with a view to a regulated mortgage contract, making arrangements with a view to a home reversion plan or making arrangements with a view to a home purchase plan*.

*making arrangements with a view to a home purchase plan* the *regulated activity*, specified in article 25C(2) of the *Regulated Activities Order*, which is in summary: making arrangements with a view to a *person* who participates in the arrangements entering into a *home purchase plan* as *home purchaser*.

*making arrangements with a view to a home reversion plan* the *regulated activity*, specified in article 25B(2) of the *Regulated Activities Order*, which is in summary: making arrangements with a view to a *person* who participates in the arrangements entering into a *home reversion plan* as *reversion occupier* or as plan provider.

*reversion activity* any of the *regulated activities* of:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B);
- (d) *entering into a home reversion plan* (article 63B(1));
- (e) *administering a home reversion plan* (article 63B(2)); or
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

*reversion administrator* a *firm* with *permission* (or which ought to have *permission*) for *administering a home reversion plan*.

*reversion adviser* a *firm* with *permission* (or which ought to have *permission*) for *advising on a home reversion plan*.

*reversion arranger* a *firm* with *permission* (or which ought to have *permission*) for *arranging a home reversion plan*.

*reversion intermediary* a *firm* with *permission* (or which ought to have *permission*) to carry on a *reversion mediation activity*.

*reversion mediation activity* any of the following *regulated activities*:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));

- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B); or
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

*unauthorised reversion provider* a person who carries on, or proposes to carry on, the activity specified in article 63B(1) of the *Regulated Activities Order* which is entering into a *home reversion plan* as plan provider, and who does not have *permission* for, and is not an *exempt person* in relation to, *entering into a home reversion plan*.

Amend the following definitions as shown and reorder in the appropriate alphabetical position. Underlining indicates new text and striking through indicates deleted text. Where an entire definition is deleted the place where the change will be made is indicated and the text is not shown struck through.

*arranging*

- (a) (except in relation to a ~~*regulated mortgage contract*~~ *home finance transaction*)...
- (b) ...
- (c) (in relation to a *home purchase plan*) *arranging (bringing about) a home purchase plan, making arrangements with a view to a home purchase plan or agreeing to carry on either of those regulated activities.*
- (d) (in relation to a *home reversion plan*) *arranging (bringing about) a home reversion plan, making arrangements with a view to a home reversion plan or agreeing to carry on either of those regulated activities.*

*arrears* (in relation to a *regulated mortgage contract* or a *home purchase plan*) either:

- (a) a shortfall (equivalent to two or more regular payments) in the accumulated total payments actually made by the *customer* measured against the accumulated total amount of payments due to be received from the *customer*; or
- (b) remaining in breach, for more than one month, of an agreed borrowing limit or of an obligation to pay or repay where the loan or *home purchase plan* does not have a regular payment or repayment plan.

*client* (1) (except in *PROF*; and in relation to a ~~*regulated mortgage contract*~~

home finance transaction) ...

...

(5) (in relation to a home purchase plan, except in PROF) the home purchaser or potential home purchaser.

(6) (in relation to a home reversion plan, except in PROF):

(a) the reversion occupier or potential reversion occupier; or

(b) an individual who is an unauthorised reversion provider and who is not, or would not, be required to have permission to enter into a home reversion plan.

client money ...

(3) (in MIPRU):

(a) ...

(b) in relation to a ~~mortgage~~ home finance intermediary when acting as such, *money* of any currency which in the course of carrying on ~~mortgage~~ home finance mediation activity, the *firm* holds on behalf of a *client*, either in a bank account or in the form of cash.

combined  
initial  
disclosure  
document  
(CIDD)

information set out in COB 4 Annex 5R about the scope and nature of the services offered by a *firm* in relation to:

(a) a combination of two or more of the following:

(i) *packaged products*;

(ii) *non-investment insurance contracts*;

(iii) *regulated mortgage contracts other than lifetime mortgages*;

(iv) home purchase plans;

~~(iv) regulated lifetime mortgage contract~~ equity release transactions; or

(b) a combination of two or more of the following:

(i) *stakeholder products*;

(ii) ~~regulated lifetime mortgage contract~~ equity release transactions;

(iii) *regulated mortgage contracts other than lifetime mortgages*;

(iv) *home purchase plans*;

(v) *non-investment insurance contracts*.

*controlled activity*

(in accordance with section 21(9) of the *Act* (The classes of activity and investment)) any of the following activities specified in Part 1 of Schedule 1 to the Financial Promotions Order (Controlled Activities):

...

(m) *arranging qualifying credit etc. (paragraph 10A—~~coming into force 31st October 2004~~)*;

(n) *advising on qualifying credit etc. (paragraph 10B—~~coming into force 31st October 2004~~)*;

(o) *entering into a home purchase plan* (paragraph 10C);

(p) *making arrangements with a view to a home purchase plan* (paragraph 10D);

(q) *advising on a home purchase plan* (paragraph 10E);

(r) *entering into a home reversion plan* (paragraph 10F);

(s) *making arrangements with a view to a home reversion plan* (paragraph 10G);

(t) *advising on a home reversion plan* (paragraph 10H);

(eu) *agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10H—~~(10B from 31 October 2004)~~ of Part 1 of Schedule 1 to the *Financial Promotion Order*.*

*energy market participant* a firm:

(a) ...

(b) which is not an ... , ~~mortgage~~ *home finance administrator, mortgage lender* ~~home finance provider~~, ...

*failure*

~~(in CASS)~~ the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction.

*financial  
promotion  
rules*

~~COB 3 and~~, ICOB 3, MCOB 2.2.6R to MCOB 2.2.8BG and MCOB 3.

*illustration*

(in *MCOB*) the illustration of the costs and features of a *regulated mortgage contract* or *home reversion plan* which is required to be provided by *MCOB* 5 (Pre-application disclosure), *MCOB* 6 (Disclosure at the offer stage), *MCOB* 7 (Disclosure at start of contract and after sale) and *MCOB* 9 (~~Lifetime mortgages~~ Equity release: product disclosure) and the template for which is set out:

- (a) for a regulated mortgage contract other than a lifetime mortgage, at MCOB 5 Annex 1;
- (b) for a lifetime mortgage, at MCOB 9 Annex 1; and
- (c) for a home reversion plan, at MCOB 9 Annex 2.

*initial  
disclosure  
document  
(IDD)*

information about the scope and nature of the services offered by a *firm* in relation to:

- (a) packaged products as required by *COB* 4.3.7R; ~~or~~
- (b) stakeholder products as required by *COB* 5A.2.1R(1);
- (c) a regulated mortgage contract other than a lifetime mortgage as required by MCOB 4.4.1R(1) and set out in MCOB 4 Annex 1;
- (d) an equity release transaction as required by *MCOB* 4.4.1R(1) and set out in *MCOB* 8 Annex 1;
- (e) a home purchase plan as required by *MCOB* 4.10.2R and set out in *MCOB* 4 Annex 1; or
- (f) a non-investment insurance contract in accordance with ICOB 4.2.4G to ICOB 4.2.6R and set out in ICOB 4 Annex 1.

*mortgage-sale  
shortfall-debt*

the outstanding ~~debt~~ amount due to the *home finance provider* under a ~~regulated mortgage contract~~ home finance transaction, following the sale of the ~~mortgaged~~ property that is its subject.

*non-real time  
financial  
promotion*

(in accordance with article 7(2) of the *Financial Promotion Order*) (~~as more fully described in COB 3.5.5R ("Real time" and "non-real time" financial promotions) and AUTH App 1.10 (Types of financial promotion))~~) a *financial promotion* that is not a *real time financial promotion*.

*non-real time  
qualifying  
credit  
promotion*      [deleted]

*offer document*      (in *MCOB*) a document in which the ~~*mortgage lender*~~*home finance provider* offers to enter into a ~~*regulated mortgage contract*~~*home finance transaction* with a *customer*.

*oil market  
participant*      a *firm*:

- (a) ...
- (b) which is not an ... , ~~*mortgage*~~*home finance* administrator, ~~*mortgage lender*~~*home finance provider*, ...

*overseas  
person*      (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) a *person* who:

- (a) carries on any of the following *regulated activities*:
  - ...
  - (xix) *arranging (bringing about) a home reversion plan;*
  - (xx) *making arrangements with a view to a home reversion plan;*
  - (xxi) *advising on a home reversion plan;*
  - (xxii) *entering into a home reversion plan;*
  - (xxiii) *administering a home reversion plan;*
  - (xxiv) *arranging (bringing about) a home purchase plan;*
  - (xxv) *making arrangements with a view to a home purchase plan;*
  - (xxvi) *advising on a home purchase plan;*
  - (xxvii) *entering into a home purchase plan;*
  - (xxviii) *administering a home purchase plan;*
  - ~~(ixxxxix)~~ ... ; but
- (b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.



|   |   |
|---|---|
| <i>price information</i>                                  | (in <i>MCOB</i> ) information, in a <del>qualifying credit</del> <i>financial promotion</i> , that relates to...  |
| <i>procurement fee</i>                                    | the total amount paid by a <del>mortgage lender</del> <i>home finance provider</i> to a <del>mortgage</del> <i>home finance intermediary</i> , whether directly or indirectly, in connection with providing applications from <i>customers</i> to enter into <del>regulated mortgage contracts</del> <i>home finance transactions</i> with that <del>mortgage lender</del> <i>home finance provider</i> . |
| <i>protected home finance mediation mortgage business</i> | activities in relation to <del>regulated mortgage contracts</del> <i>home finance transactions</i> which are covered by the <i>compensation scheme</i> , as defined in <i>COMP 5.6.1R</i> .   |
| <i>qualifying credit promotion</i>                        | [deleted]   |
| <i>qualifying credit promotion rules</i>                  | [deleted]   |
| <i>real time financial promotion</i>                      | (in accordance with article 7(1) of the <i>Financial Promotion Order</i> ) ( <del>as more fully described in <i>COB 3.5.5R</i> ("Real time" and "non-real time" financial promotions) and <i>AUTH 1.10</i> (Types of financial promotion))</del> ) a <i>financial promotion</i> made in the course of a personal visit, telephone conversation or other interactive dialogue.                             |
| <i>real time qualifying credit promotion</i>              | [deleted]   |
| <i>regulated activity</i>                                 | (in accordance with section 22 of the <i>Act</i> (The classes of activity and categories of investment)) any of the following activities specified in Part II of the <i>Regulated Activities Order</i> (Specified Activities):<br><br>...<br><br>(gc) <u>arranging (bringing about) a home reversion plan</u> (article  |

25B(1));

(gd) making arrangements with a view to a home reversion plan (article 25B(2));

(ge) arranging (bringing about) a home purchase plan (article 25C(1));

(gf) making arrangements with a view to a home purchase plan (article 25C(2));

...

(pb) advising on a home reversion plan (article 53B);

(pc) advising on a home purchase plan (article 53C);

...

(sc) entering into a home reversion plan (article 63B(1));

(sd) administering a home reversion plan (article 63B(2));

(se) entering into a home purchase plan (article 63F(1));

(sf) administering a home purchase plan (article 63F(2));

...

which is carried on by way of business ...

*regulated  
mortgage  
contract*

(a) (in relation to a contract) a contract which:

(i) (in accordance with article 61(3) of the *Regulated Activities Order*) ~~a contract which~~, at the time it is entered into, meets the following conditions:

~~(iA)~~ ...

~~(iiB)~~ ... :

~~(A)~~ ...

~~(B)~~ ...

~~(C)~~ ... ; and

(ii) is not a home purchase plan.

(b) (in relation to a *specified investment*) ...

|  |  |
|--|--|
| <i>repossess</i>                                       | (in <i>MCOB</i> ) take possession of the <del>mortgaged</del> property <u>that is the subject of a regulated mortgage contract or home purchase plan.</u>  |
| <i>solicited real time financial promotion</i>         | (in accordance with article 8 of the <i>Financial Promotion Order</i> ) ( <del>as more fully described in <i>COB</i> 3.10.1R (Meaning of "solicited" and "unsolicited" real time financial promotion) and <i>AUTH</i> App 1.10 (Types of financial promotion))</del> ) a <i>real time financial promotion</i> which ...  |
| <i>solicited real time qualifying credit promotion</i> | [deleted]  |
| <i>specified investment</i>                            | any of the following <i>investments</i> specified in Part III of the <i>Regulated Activities Order</i> (Specified Investments):<br><br>...<br><br><u>(ob) home reversion plan (article 63B(3));</u><br><br><u>(oc) home purchase plan (article 63F(3));</u><br><br>...   |
| <i>tariff of charges</i>                               | a list of all charges (including amounts) that are payable on a <del>regulated mortgage contract</del> <u>home finance transaction</u> , including the reason for, and amount of, each charge.   |
| <i>third party processor</i>                           | (1) A <i>firm</i> ("Firm A") which carries on <del>regulated mortgage</del> <u>home finance activities</u> ... for another <i>firm</i> (or an <i>appointed representative</i> ) ("Firm B") under a properly documented <i>outsourcing</i> agreement, ...<br><br>(2) A <i>firm</i> ("Firm C") which carries on <del>regulated mortgage</del> <u>home finance activities</u> ... for a <i>third party processor</i> within (1) ("Firm A"), ... |
| <i>tied product</i>                                    | a product, other than <i>linked borrowing</i> or a <i>linked deposit</i> , that a <i>customer</i> is obliged to purchase through a <i>mortgage lender</i> <u>or reversion provider</u> as a condition of taking out a <i>regulated mortgage contract</i> <u>or home reversion plan</u> with that <del>mortgage lender</del> <u>firm</u> .  |
| <i>unsolicited real time financial promotion</i>       | (in accordance with article 8 of the <i>Financial Promotion Order</i> ) ( <del>as more fully described in <i>COB</i> 3.10.1R (Meaning of "solicited" and "unsolicited" real time financial promotion) and <i>AUTH</i> App 1.10 (Types of financial promotion))</del> ) a <i>real time financial promotion</i> which is not a <i>solicited real time financial promotion</i> .  |

*unsolicited  
real time  
qualifying  
credit  
promotion*

[deleted]

## Annex B

### Amendments to the Principles for Businesses sourcebook (PRIN)

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

...

3.2.1 R *PRIN* applies with respect to the carrying on of:

...

(3) *ancillary activities* in relation to ... ~~*regulated mortgage home*~~  
*finance activity* ...

...

## Annex C

### Amendments to the General Provisions sourcebook (GEN)

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

...

- 4.2.2 G There are other pre-contract information requirements outside this chapter, including:
- ...
- (5) for *regulated mortgage contracts* and home purchase plans, initial disclosure requirements in MCOB 4.4 (~~Initial disclosure requirements~~), pre-application disclosure requirements in MCOB 5.6 (~~Content of illustrations~~), and disclosure at the offer stage in MCOB 6.4 (~~Content of the offer document~~); and
- (6) for ~~regulated lifetime mortgage contracts~~ equity release transactions, initial disclosure requirements in MCOB 8.4 (~~Initial disclosure requirements~~), pre-application disclosure requirements in MCOB 9.4 (~~Content of illustrations~~) and disclosure at the offer stage in MCOB 9.5 (~~Disclosure at the offer stage for lifetime mortgages~~).

...

...

Exception: use of third party processors in ~~mortgage~~ home finance and non-investment insurance business

- 4.3.6 R ...
- (2) Where an *appointed representative* has outsourced ... ~~mortgage~~ home finance *mediation activities* to a *third party processor*, GEN 4.3.1R does not apply to that *third party processor* when acting as such, so long as ...
- (3) Where an *appointed representative* of a *firm* is carrying on:
- ...
- (b) ~~mortgage~~ home finance *mediation activities*;
- which have been outsourced to it by the *firm*, GEN 4.3.1R does not apply to the *firm* when the *appointed representative* is carrying on the outsourced activities, so long as ...

...

- 4.4.1 R (1) If, in any communication:
- (a) made to a ~~private customer~~ or, in the case of a communication relating to ~~non-investment insurance contracts, a retail customer~~;
    - (i) (in relation to a non-investment insurance contract) a retail customer;
    - (ii) (in relation to a home finance transaction) a customer; or
    - (iii) (in all other cases) a private customer; and
  - ...
  - ...
  - (3) A firm need not provide the information required by (1) if it has already provided it in writing to the ~~private customer~~ to whom the communication is made.

...

#### GEN 5 Annex 1G

Licence for use of the FSA and keyfacts logos by authorised firms and appointed representatives

...

- 3A.2 The following are examples of places where the *rules* require or permit the keyfacts logo to be used:

...

- (3) In *MCOB*:
  - (a) in an ~~initial disclosure document or combined initial disclosure document (MCOB 4.4.1R, MCOB 4.4.7R, MCOB 8.3.1R and MCOB 8.4.1R)~~initial disclosure document or combined initial disclosure document;  
and
  - (b) in an *illustration* (MCOB 5.6.2R and MCOB 9.4.2R);  
and
  - (c) in a risks and features statement (MCOB 4.10.11R) and financial information statement (MCOB 5.8.7R).

...

GEN TP 1

(3) Transitional Provisions applying to GEN only

| (1) | (2) Material to which the transitional provision applies | (3)      | (4) Transitional provision  | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|--|----------|---|--|---|
| ... | ...  | ...      | ...   | ...  | ...                                       |
| 6   | <i>GEN 4.3.1R</i>  | R        | [delete existing text] <u>Expired</u>   | [delete existing text]                     | [delete existing text]                    |
| 7   | <i>GEN 4.3.1R</i>  | G        | [delete existing text] <u>Expired</u>   | [delete existing text]                     | [delete existing text]                    |
| ... | ...  | ...      | ...   | ...  | ...                                       |
| 10  | <u><i>GEN 4.3.1R</i></u>                                 | <u>R</u> | <p><u>(1) For the purpose of this rule, a regulated activity does not include a home purchase activity or home reversion activity.</u></p> <p><u>(2) If a firm in a letter (or electronic equivalent) which it or its employees send to a customer, with a view to or in connection with the firm carrying out a home purchase activity or a reversion activity, makes a statement about its statutory or regulated status under the Act for carrying on that regulated activity, the firm must include the disclosure in GEN 4 Annex 1 in that letter.</u></p> | <u>From 6 April 2007 for six months</u>    | <u>6 April 2007</u>                       |

...



## Annex D

### Amendments to the Fees manual (FEES)

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

#### Part 1

##### FEES 3 Annex 1R

3 Annex 1R Authorisation fees payable

R Part 2...

| Straightforward cases    |  |
|--------------------------|--|
| Activity grouping        | Description  |
| ...                      |  |
| A.18                     | <del>Mortgage lenders</del> <u>Home finance providers, advisers and arrangers</u> (excluding <del>mortgage lenders</del> <u>home finance providers</u> ) |
| ...                      |  |
| Moderately complex cases |  |
| Activity grouping        | Description  |
| ...                      |  |
| A.2                      | <del>Mortgage lenders</del> <u>Home finance providers</u> and <u>administrators</u>  |
| ...                      |  |

#### Part 2

##### FEES 4 Annex 1R

4 Annex 1R Activity groups, tariff bases and valuation dates applicable

R Part 1 ...

| Activity group   | Fee payer falls in the activity group if  |
|--|---|
| ...  |   |
| A.2 <del>Mortgage lenders</del><br><u>Home finance providers</u> | its <i>permission</i> includes <u>a regulated activity within one or more of the following:</u> |

|   |  |
|---|--|
| and administrators  | <ul style="list-style-type: none"> <li>• <del>entering into a regulated mortgage contract home finance transaction</del>; or</li> <li>• <del>administering a regulated mortgage contract home finance transaction</del>; or</li> <li>• <del>agreeing to carry on a regulated activity</del> which is within either of the above.</li> </ul>  |
| ...   |  |
| <p>A.18 Mortgage lenders<br/> <u>Home finance providers</u>, advisers and arrangers</p> | <p>its <u>permission</u> includes a <u>regulated activity</u> within one or more of the following:</p> <ul style="list-style-type: none"> <li>• <del>entering into a regulated mortgage contract home finance transaction</del>; or</li> <li>• <del>arranging (bringing about) regulated mortgage contracts a home finance transaction</del>; or</li> <li>• <del>making arrangements with a view to regulated mortgage contracts a home finance transaction</del>; or</li> <li>or</li> <li>• <del>advising on regulated mortgage contracts a home finance transaction</del>; or</li> <li>• <del>agreeing to carry on a regulated activity</del> which is within any of the above.</li> </ul> |
| ...   |  |

Part 2 ...

| Activity group | Tariff-base   |
|----------------|---|
| ...            |   |
| A.2            | <p><u>NUMBER OF MORTGAGES OR OTHER HOME FINANCE TRANSACTIONS ENTERED INTO AND ADMINISTERED</u><br/> The number of new mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> entered into;<br/> AND<br/> The number of mortgage contracts, <i>home purchase plans</i> or <i>home reversion plans</i> being administered, multiplied by 0.05 for mortgage outsourcing <i>firms</i> or other <u>home finance outsourcing firms</u> and by 0.5 for all other firms.</p> <p>Notes:<br/> (1) Mortgage outsourcing <i>firms</i> are <i>firms</i> with <i>permission for administering regulated mortgage contracts</i>, but not to enter the contract as lender.<br/> <u>Home finance outsourcing firms are firms with permission for administering a home finance transaction, but not entering into a home finance transaction.</u></p> <p>(2) In this context a 'mortgage' means a loan secured by a first charge over residential property in the <i>United Kingdom</i>. For the measure of the number of contracts being administered, each first charge counts as one contract, irrespective of the number of loans involved.</p> <p>(3) Mortgages, <i>home purchase plans</i> or <i>home reversion plans</i> administered include those that the <i>firm</i> administers on behalf of other <i>firms</i>.</p> |
| ...            |   |
| A.18           | <p>ANNUAL INCOME<br/> (a) ...<br/> due to the <i>firm</i> in respect of or in relation to <del><i>mortgage mediation activity</i></del> <u><i>home finance mediation activity</i></u> (or activities which would have been <i>mortgage mediation activity</i> if they had been carried out after 30 October 2004 or <u><i>home purchase mediation activity</i></u> or <u><i>reversion mediation activity</i></u> if they had been carried out on or after 6 April 2007);<br/> Plus<br/> (b) for any <del><i>mortgage mediation activity</i></del> <u><i>home finance mediation activity</i></u> carried out by the <i>firm</i> for which it receives payment from the lender or provider on a basis other than that in (a), the value of all new mortgage</p>   |

|     |   |
|-----|---|
|     | <p>advances and amounts provided under other <i>home finance transactions</i> resulting from that activity multiplied by 0.004;</p> <p>Plus</p> <p>(c) if the <i>firm</i> is a <i>mortgage lender home finance provider</i>, the value of all new mortgage advances and amounts provided under other <i>home finance transactions</i> which are or would be <i>regulated mortgage contracts</i> if they had been made after 30 October 2004 or <i>home purchase plans</i> or <i>home reversion plans</i> if they had been made on or after 6 April 2007 (other than those made as a result of <del><i>mortgage mediation activity</i></del> <i>home finance mediation activity</i> by another <i>firm</i>), multiplied by 0.004.</p> <p>For mortgage outsourcing <i>firms</i> or <i>home finance outsourcing firms</i> whose <i>permission</i> does not include <i>advising on regulated mortgage contracts</i> a <i>home finance transaction</i> the relevant amounts are multiplied by 0.15.</p> <p>Notes on annual income:</p> <p>...</p> <p>(2) For the purposes of calculating annual income, "net amount retained" means all the commission, fees, etc. in respect of <i>mortgage home finance mediation activity</i> that the <i>firm</i> has not rebated to customers or passed on to other <i>firms</i> ...</p> <p>...</p> <p>(4) ...which would be <i>mortgage mediation activity</i> if they had been carried out after 30 October 2004 or <i>home purchase mediation activity</i> or <i>reversion mediation activity</i> if they had been carried out on or after 6 April 2007.</p> <p>(5) ...</p> <p><u>Home finance outsourcing firms are firms whose permission includes administering a home finance transaction, but not entering into a home finance transaction.</u></p> |
| ... |   |

Part 3 ...

| Activity group | Valuation date   |
|----------------|--|
| ...            |  |
| A.2            | Number of mortgages, <i>home purchase plans</i> or <i>home reversion plans</i> entered into in the twelve months |

|     |   |
|-----|---|
|     | ending 31 December.<br>AND<br>Number of mortgages, <u>home purchase plans</u> or <u>home reversion plans</u> being administered on 31 December. |
| ... |   |

**FEES 5 Annex 1R**

5 Annex 1R Annual Fees Payable in Relation to 2006/07

R ...

Part 1: ...

Part 2: Fee tariffs for general levy and supplementary levy

| Industry block   | Tariff base | General levy payable by firm |
|--|-------------|------------------------------|
| 1-Deposit acceptors, <u>mortgage lenders</u> <u>home finance providers</u> and <u>administrators</u> (excluding <u>firms</u> in block 14)                            | ...         | ...                          |
| ...  |             |                              |
| 16 - Mortgage <del>lenders</del> <u>Home finance providers</u> , <u>advisers</u> <u>advisers</u> and <u>arrangers</u> (excluding <u>firms</u> in blocks 13, 14 & 15) | ...         | ...                          |

**FEES 6**

6.3 The FSCS's power to impose levies

...

6.3.8 R The *FSCS* must not require a *participant firm* in the ~~mortgage~~ home finance advice and arranging *sub-scheme* ...

...

6.5 Compensation costs

...

6.5.7 R ...

- (4) the ~~mortgage~~ home finance advice and arranging *sub-scheme*, the FSCS must use the *contribution group* and tariff base set out in the table in ~~FEES~~ FEES 6.5.10R;

...

6.5.10 R Table: the contribution groups and tariff bases for the ~~mortgage~~ home finance advisers and arrangers (see ~~FEES~~ FEES 6.5.7R(4))

| SUB-SCHEME  | CONTRIBUTION GROUP (REFERENCES TO A1, A2 ETC ARE TO THE FSA FEE BLOCKS)                | LEGAL BASIS FOR ACTIVITY (references to articles are to articles of the <i>Regulated Activities Order</i> )   | TARIFF BASE                   |
|---|--|---|-------------------------------|
| <u>Mortgage Home finance</u> advice and arranging | A18 <del>Mortgage lenders</del> <u>Home finance providers</u> , advisers and arrangers | Any of the following: (a) <del>arranging (bringing about) regulated mortgage contracts</del> <u>arranging (bringing about) a home finance transaction</u> ; (b) <del>making arrangements with a view to regulated mortgage contracts</del> <u>a home finance transaction</u> ; (c) <del>advising on regulated mortgage contracts</del> <u>a home finance transaction</u> ; (d) <del>agreeing to carry on a regulated activity which is within any of the above; and</del> (e) the activities of a <del>mortgage lender</del> <u>home finance provider</u> which | <i>annual eligible income</i> |

|  |  |  |  |
|--|--|--|--|
|  |  | would be <i>arranging</i> but for article 28A of the <i>Regulated Activities Order</i> (Arranging contracts <u>or plans</u> to which the arranger is a party). |  |
|--|--|--|--|

**FEES TP Transitional Provisions**

**FEES TP 1.1**

| (1)      | (2)   | (3) | (4)   | (5)   | (6)  |
|----------|---|-----|---|---|--|
|          | <b>Material to which the transitional provision applies</b> |     | <b>Transitional Provision</b>   | <b>Transitional provision: dates in force</b> | <b>Handbook provision: coming into force</b> |
| ...      |   |     |   |   |  |
| <u>3</u> | <u>FEES 4 Annex 1R Part 3, Activity group A2</u>            |     | <u>Any reference to the number of <i>home purchase plans</i> and/or <i>home reversion plans</i> must be read as including any home purchase plan or home reversion plan entered into or administered before 6 April 2007, as relevant, which would be a <i>home purchase plan</i> or a <i>home reversion plan</i> if entered into or administered on or after 6 April 2007.</u> | <u>From 6 April 2007 – 30 April 2008</u>      | <u>6 April 2007</u>                          |

## Annex E

### Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

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

...

What?

1.1.3 R SYSC 2 and SYSC 3 apply with respect to the carrying on of:

...

(3) *ancillary activities in relation to designated investment business, ~~regulated mortgage~~home finance activity and insurance mediation activity;*

...

1.1.3A R SYSC 3.2.6AR to SYSC 3.2.6JG do not apply:

...

(2) in relation to the following *regulated activities*:

...

(e) ... ;~~and~~

(f) *mortgage mediation activity and administering a regulated mortgage contract;*

(g) *home purchase mediation activity and administering a home purchase plan; and*

(h) *reversion activity.*

...



## Annex F

### Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

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

...

#### 1.1 Application

1.1.1 G This sourcebook applies to a *firm* with *Part IV permission* to carry on:

- (1) *insurance mediation activity*;
- (2) ~~*mortgage*~~ *home finance* *mediation activity*;
- (3) ~~*mortgage lending*~~ *home financing*;
- (4) ~~*mortgage*~~ *home finance* *administration*; and
- (5) *insurance business*;

as specified in the beginning of each of the remaining chapters.

...

#### 3 Professional indemnity insurance

...

##### Application

3.1.1 R This chapter applies to a *firm* with *Part IV permission* to carry on any of the following activities:

- (1) *insurance mediation activity*;
- (2) ~~*mortgage*~~ *home finance* *mediation activity*;

...

(4) in relation to ~~*mortgage*~~ *home finance* *mediation activity*, this chapter does not apply to a *firm* if:

(a) ...

...

(5) ...

(6) in relation to ~~*mortgage*~~ *home finance* *mediation activity*, this chapter does not apply to an *authorised professional firm* if:

- (a) ...
- (b) whose ~~mortgage~~ home finance mediation activity is incidental to its main business.

...

- 3.2.2 G The minimum *limits of indemnity* for a firm whose *Part IV permission* covers both *insurance mediation activity* and ~~mortgage~~ home finance mediation activity is the higher of the *limits of indemnity* for these activities. If the firm opts for a single comparable guarantee to finance the claims which might arise as a result of both activities, the requirements for *insurance mediation activity* apply.

...

- 3.2.4 R The contract of professional indemnity insurance must incorporate terms which make provision for:

(1) ...

...

(5) continuous cover in respect of claims arising from work carried out from the date on which the firm was given *Part IV permission* for the *insurance mediation activity* or ~~mortgage~~ home finance mediation activity concerned; and

(6) ...

...

Minimum limits of indemnity: ~~mortgage~~ home finance intermediary

- 3.2.9 R If the firm is a ~~mortgage~~ home finance intermediary, then the minimum *limit of indemnity* is the higher of 10% of *annual income* up to £1 million, and:

...

...

#### 4 Capital resources

...

- 4.1.1 R This chapter applies to a firm with *Part IV permission* to carry on any of the following activities unless an exemption in this section applies:

(1) *insurance mediation activity*;

(2) ~~mortgage~~ home finance mediation activity;

- (3) *entering into a ~~regulated mortgage contract~~ home finance transaction (that is, ~~mortgage lending~~ home financing);*
- (4) *administering a ~~regulated mortgage contract~~ home finance transaction (that is, ~~mortgage~~ home finance administration).*

...

- 4.1.9 G (1) ...
- (2) ...
- (3) A credit union cannot carry on home purchase activities or reversion activities because the Credit Unions Act 1979 restricts the circumstances whereby credit unions can hold land.

...

Application: social housing firms

- 4.1.13 G There are special provisions for a *social housing firm* when it is carrying on ~~mortgage lending~~ home financing or ~~mortgage~~ home finance administration (see MIPRU 4.2.7R).

...

Purpose: social housing firms

- 4.1.18 R *Social housing firms* undertake small amounts of ~~mortgage~~ home finance business even though their main business consists of activities other than *regulated activities*. Their ~~mortgage lending~~ home financing is only done as an adjunct to their primary purpose (usually the provision of housing) and is substantially different in character to that done by commercial lenders. Furthermore, they are *subsidiaries* of local authorities or registered social landlords which are already subject to separate regulation. The FSA does not consider that it would be proportionate to the risks involved with such business to impose significant capital requirements for these *firms*. The capital resources requirement for *social housing firms* therefore simply provides that, where their *Part IV permission* is limited to ~~mortgage lending~~ home financing and ~~mortgage~~ home finance administration, their net tangible assets must be greater than zero.

...

Capital resources requirement: social housing firms

- 4.2.7 R The capital resources requirement for a *social housing firm* whose *Part IV permission* is limited to carrying on the *regulated activities* of:
- (1) ~~mortgage lender~~ home financing; or
  - (2) ~~mortgage~~ home finance administration (or both);

is that the *firm's* net tangible assets must be greater than zero.

- 4.2.8 G If a *social housing firm* is carrying on ~~*mortgage-lending home financing*~~ or ~~*mortgage home finance administration*~~ (and no other *regulated activity*), its net tangible assets must be greater than zero. However, if it carries on *insurance mediation activity* or ~~*mortgage home finance mediation activity*~~, there is no special provision and the capital resources requirement for *firms* carrying on mediation activities only applies to it as appropriate.

...

- 4.2.10 R Table: Application of capital resources requirements

|    | Regulated activities   | Provisions                     |
|----|--|--------------------------------|
| 1. | (a) <i>insurance mediation activity</i> ; or   | MIPRU 4.2.11R                  |
|    | (b) <del><i>mortgage home finance mediation activity</i></del> (or both);  |                                |
|    | and no other <i>regulated activity</i> .   |                                |
| 2. | (a) <del><i>mortgage-lending home financing</i></del> ; or   | MIPRU 4.2.12R to MIPRU 4.2.17E |
|    | (b) <del><i>mortgage-lending-home financing</i></del> and <del><i>mortgage home finance administration</i></del> ; |                                |
|    | and no other <i>regulated activity</i> .   |                                |
| 3. | <del><i>mortgage home finance administration</i></del> ;   | MIPRU 4.2.18R to MIPRU 4.2.19R |
|    | and no other <i>regulated activity</i> .   |                                |
| 4. | <i>insurance mediation activity</i> ; and  | MIPRU 4.2.20R                  |
|    | (a) <del><i>mortgage-lending-home financing</i></del> ; or   |                                |
|    | (b) <del><i>mortgage home finance administration</i></del> (or both).  |                                |
| 5. | <del><i>mortgage home finance mediation activity</i></del> ; and   | MIPRU 4.2.21R                  |
|    | (a) <del><i>mortgage-lending-home financing</i></del> , or   |                                |
|    | (b) <del><i>mortgage home finance administration</i></del> (or both).  |                                |
| 6. | Any combination of <i>regulated activities</i> not within rows 1 to 5.   | MIPRU 4.2.22R                  |

Capital resources requirement: mediation activity only

- 4.2.11 R (1) If a *firm* carrying on *insurance mediation activity* or ~~*mortgage home finance mediation activity*~~ (and no other *regulated activity*) does not hold *client money* or other *client assets* in relation to these activities, its capital resources requirement is the higher of:
- (a) £5,000; and
  - (b) 2.5% of the *annual income* from its *insurance mediation activity* or ~~*mortgage home finance mediation activity*~~ (or both).
- (2) If a *firm* carrying *insurance mediation activity* or ~~*mortgage home finance mediation activity*~~ (and no other *regulated activity*) holds *client money* or other *client assets* in relation to these activities, its capital resources requirement is the higher of:
- (a) £10,000; and
  - (b) 5% of the *annual income* from its *insurance mediation activity* or ~~*mortgage home finance mediation activity*~~ (or both).

Capital resources requirement: ~~*mortgage lending home financing*~~ and *home finance administration* (but not ~~*mortgage home finance administration*~~ only)

- 4.2.12 R (1) The capital resources requirement for a *firm* carrying on ~~*mortgage lending home financing*~~, or ~~*mortgage lending home financing*~~ and ~~*mortgage home finance administration*~~ (and no other *regulated activity*) is the higher of:
- (a) £100,000; and
  - (b) 1% of:
    - (i) its total assets plus total undrawn commitments and unreleased amounts under the *home reversion plan*; less:
    - (ii) excluded loans or amounts plus intangible assets (see Note 1 in the table in *MIPRU 4.4.4R*).
- (2) Undrawn commitments and unreleased amounts means the total of those amounts which a ~~borrower~~ *customer* has the right to draw down or to receive from the *firm* but which have not yet been drawn down or received, excluding those under an agreement:
- (a) which has an original maturity of up to one year; or
  - (b) which can be unconditionally cancelled at any time by the lender or provider.

- 4.2.13 G When considering what is an undrawn commitment or unreleased amount, the *FSA* takes into account an amount which a ~~borrower~~ *customer* has the right to draw down or to receive under a *home finance transaction*, but which has not yet been drawn down or received, whether the commitment or obligation is

revocable or irrevocable, conditional or unconditional.

- 4.2.14 R When calculating total assets, the *firm* may exclude a loan or plan which has been transferred to a third party only if it meets the following conditions:
- (1) the first condition is that the loan or the plan must have been transferred in a legally effective manner by:
    - (a) novation; or
    - (b) legal or equitable assignment; or
    - (c) sub-participation; or
    - (d) declaration of trust; and
  - (2) the second condition is that the ~~lender~~ home finance provider:
    - (a) retains no material economic interest in the loan or the plan; and
    - (b) has no material exposure to losses arising from it.
- 4.2.15 E (1) When seeking to rely on the second condition, a *firm* should ensure that the loan or plan qualifies for the 'linked presentation' accounting treatment under Financial Reporting Standard 5 (Reporting the substance of transactions) issued in April 1994, and amended in December 1994 and September 1998 (if applicable to the *firm*).
- (2) ...
- ...
- 4.2.17 E (1) When seeking to rely on the second condition, a *firm* should not provide material credit enhancement in respect of the loan or plan unless it deducts the amount of the credit enhancement from its capital resources before meeting its capital resources requirement.
- (2) Credit enhancement includes:
  - (a) any holding of subordinated loans or notes in a transferee that is a special purpose vehicle; or
  - (b) over collateralisation by transferring loans or plans to a larger aggregate value than the *securities* to be issued; or
  - (c) any other arrangement with the transferee to cover a part of any subsequent losses arising from the transferred loan or plan.
- (3) Contravention of (1) may be relied upon as tending to establish contravention of the second condition.

Capital resources requirement: ~~mortgage~~ home finance administration only

4.2.18 R The capital resources requirement for a *firm* carrying on mortgage home finance administration only, which has all or part of the ~~regulated mortgage contracts~~ home finance transactions that it administers on its balance sheet, is the amount which is applied to a *firm* carrying on ~~mortgage lending~~ home financing or ~~mortgage lending~~ home financing and mortgage home finance administration, and no other *regulated activity* (see MIPRU 4.2.12R).

4.2.19 R The capital resources requirement for a *firm* carrying on mortgage home finance administration only, which has all the ~~regulated mortgage contracts~~ home finance transactions that it administers off its balance sheet is the higher of:

- (1) £100,000; and
- (2) 10% of its *annual income*.

Capital resources requirement: insurance mediation activity and ~~mortgage lending~~ home financing or mortgage home finance administration

4.2.20 R The capital resources requirement for a *firm* carrying on *insurance mediation activity* and ~~mortgage lending~~ home financing or mortgage home finance administration is the sum of the requirements which are applied to the *firm* by:

- (1) the capital resources requirement *rule* for a *firm* carrying on *insurance mediation activity* or mortgage home finance mediation activity and no other *regulated activity* (see MIPRU 4.2.11R); and
- (2) (a) the capital resources requirement *rule* of a *firm* carrying on ~~mortgage lending~~ home financing, or ~~mortgage lending~~ home financing and mortgage home finance administration (and no other *regulated activity*) (see MIPRU 4.2.12R); or  
(b) if, in addition to its *insurance mediation activity*, the *firm* carries on mortgage home finance administration and has all the assets that it administers off balance sheet, the capital resources requirement *rule* for such *firm* (see MIPRU 4.2.19R).

Capital resources requirement: ~~mortgage~~ home finance mediation activity and ~~mortgage lending~~ home financing or mortgage home finance administration

4.2.21 R (1) If a *firm* carrying on ~~mortgage~~ home finance mediation activity and ~~mortgage lending~~ home financing or ~~mortgage~~ home finance administration does not hold *client money* or other *client assets* in relation to its ~~mortgage~~ home finance mediation activity, the capital requirement is the amount applied to a *firm*, according to the activities carried on by the *firm*, by:

- (a) the capital resources requirement *rule* for a *firm* carrying on ~~mortgage lending~~ home financing, or ~~mortgage lending~~ home financing and mortgage home finance administration, and no other *regulated activity* (see MIPRU 4.2.12R); or

(b) if, in addition to its *mortgage home finance mediation activity*, the *firm* carries on *mortgage home finance administration* and has all the assets that it administers off balance sheet, the capital resources requirement *rule* for such *firm* (see MIPRU 4.2.19R).

(2) If the *firm* holds *client money* or other *client* assets in relation to its *mortgage home finance mediation activity*, the capital resources requirement is:

(a) the amount calculated under (1); plus

(b) the amount which is applied to a *firm* carrying on *insurance mediation activity* or *mortgage home finance mediation activity*, (and no other *regulated activity*) that holds *client money* or other *client* assets in relation to these activities (see MIPRU 4.2.11R(2)).

...

4.2.22 R The capital resources requirement for a *firm* carrying any other combination of *regulated activities* is the amount which is applied to a *firm* carrying on *insurance mediation activity* and *mortgage lending home financing* or *mortgage home finance administration* (see MIPRU 4.2.20R).

...

4.3.3 R For a *firm* which carries on *insurance mediation activity* or *mortgage home finance mediation activity*, *annual income* is the amount of all brokerage, fees, *commissions* and other related income (for example, administration charges, overrides, profit shares) due to the *firm* in respect of or in relation to those activities.

...

Annual income for *mortgage home finance administration*

4.3.7 R For the purposes of the calculation of capital resources requirement of a *firm* carrying on *mortgage home finance administration* only with all the assets it administers off balance sheet, *annual income* is the sum of:

...

...

4.4.2 R Table: Items which are eligible to contribute to the capital resources of a *firm*

1. Share capital ...

...

|  |  |
|--|--|
| 6. General/ collective provisions (Note 1) | These are provisions that a <i>firm</i> carrying on <i>mortgage lending home financing</i> or <i>mortgage home finance administration</i> holds against potential losses that have |
|--|--|



|  |  |
|--|--|
|  | not yet been identified but which experience indicates are present in the <i>firm's</i> portfolio of assets. Such provisions must be freely available to meet these unidentified losses wherever they arise. Subject to Note 1, general/collective provisions must be verified by external auditors and disclosed in the <i>firm's</i> annual report and accounts. |
|--|--|

...

...

#### Subordinated loans

4.4.7 R A subordinated debt must not form part of the capital resources of the *firm* unless it meets the following conditions:

(1) (for a *firm* which carries on *insurance mediation activity*, ~~or mortgage home finance mediation activity~~ (or both) but not ~~mortgage-lending home financing~~ or ~~mortgage home finance administration~~) it has an original maturity of:

- (a) at least two years; or
- (b) it is subject to two years' notice of repayment;

(2) ...

...

4.4.8 R (1) This *rule* applies to a *firm* which:

- (a) carries on:
  - (i) *insurance mediation activity*; or
  - (ii) ~~mortgage home finance mediation activity~~ (or both); and
- (b) in relation to those activities, holds *client money* or other *client assets*;

but is not carrying on ~~mortgage-lending home financing~~ or ~~mortgage home finance administration~~.

...

#### Reversion providers: additional requirement for instalment reversions

4.4.10 R (1) If the *reversion provider* agrees under the terms of an *instalment reversion plan* to pay the *reversion occupier* for the *qualifying interest in land* over a period of time, then the *provider* must:

- (a) take out and maintain adequate insurance from an *insurance*

undertaking authorised in the EEA or a person of equivalent status in:

(i) a Zone A country; or

(ii) the Channel Islands, Gibraltar, Bermuda or the Isle of Man; or

(b) enter into a written agreement with a credit institution;

to meet these obligations in the event that the reversion provider is unable to do so.

(2) This rule does not apply if:

(a) the instalment reversion plan is linked to an investment and it is reasonably anticipated that the amounts due to the reversion occupier under the plan will be paid out of the proceeds of the investment to the occupier by a product provider other than the reversion provider; or

(b) the reversion provider acquires its interest in the property in steps proportionate to the instalments paid.

4.4.11 G The additional requirement for reversion providers aims to protect the reversion occupier against the insolvency of the reversion provider where the reversion occupier has agreed to receive the price for the part of the qualifying interest in land sold in instalments rather than in a lump sum. The requirement does not arise, for example, in relation to reversions linked to annuities as the reversion occupier has no credit risk on the reversion provider. Also, the requirement does not arise in relation to 'mini-reversions' (or 'staged reversions') as under these plans the reversion occupier continues to own the qualifying interest in land.

5 Insurance undertakings and ~~mortgage lenders~~ home finance providers using insurance or ~~mortgage~~ home finance mediation services

...

Application

5.1.1 R This chapter applies to a firm with a Part IV permission to carry on:

(1) *insurance business*; or

(2) ~~mortgage-lending~~ home financing;

(3) and which uses, or proposes to use, the services of another person consisting of:

(a) *insurance mediation*; or

(b) *insurance mediation activity*; or

(c) ~~mortgage~~ home finance mediation activity.

Purpose

5.1.2 G The purpose of this chapter is to implement article 3.6 of the *Insurance Mediation Directive* in relation to *insurance undertakings*. The provisions of this section have been extended to ~~mortgage lenders~~ home finance providers in relation to *insurance mediation activity*, and to *insurance undertakings* and ~~mortgage lenders~~ home finance providers in relation to ~~mortgage~~ home finance mediation activity, to ensure that *firms* using these services are treated in the same way and to ensure that *clients* have the same protection. To avoid the loss of protection where an intermediary itself uses the services of an *unauthorised person*, this chapter also ensures that each person in the chain of those providing services is authorised.

...

5.2.1 R A *firm* must not use, or propose to use, the services of another person consisting of:

- (1) *insurance mediation*; or
- (2) *insurance mediation activity*; or
- (3) ~~mortgage~~ home finance mediation activity;

unless two conditions are satisfied.

...

5.2.2 R The first condition is that the person, in relation to the activity:

- (1) ...

...

- (6) in relation to ~~mortgage~~ home finance mediation activity, is not carrying this activity on in the *United Kingdom*.

...

## Annex G

### Amendments to the Conduct of Business sourcebook (COB)

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

...

General application: what?

1.3.1 R *COB* applies to *firms* with respect to the carrying on of:

(1) all *regulated activities* except:

(a) ~~*regulated mortgage*~~ *home finance* activities; or

...

...

1.3.2 G ...

(7) *MCOB* applies to a *firm* that carries on ~~*regulated mortgage*~~ *home finance* activity.

...

...

3.1.2 G This chapter applies generally to *firms* in relation to all *financial promotions*. This wide application is however cut back by *COB* 3.2 (Application: what?) and *COB* 3.3 (Application: where?) which limit the application of this chapter for:

(1) *financial promotions* for *deposits*, *general insurance contracts*, *pure protection contracts*, *reinsurance contracts* and ~~*regulated mortgage contracts*~~, *qualifying credit*, *home purchase plans* and *home reversion plans*;

...

...

Financial promotions for ~~*regulated mortgage contracts*~~ *home finance transactions*

3.2.3A R This chapter does not apply to a *firm* to the extent that in relation to a *financial promotion* is a *qualifying credit promotion* of a *qualifying credit*, *home purchase plan* or *home reversion plan* (but see ~~*MCOB*~~ 3 (Financial promotions) the *financial promotion rules* in the Mortgage and Home Finance: Conduct of Business sourcebook).

...

4.3.3 R ...

(6) A firm which is required in accordance with this rule to provide an *initial disclosure document* to a *private customer* may instead provide the *customer* with a *combined initial disclosure document* if it has reasonable grounds to be satisfied that the *services* which it is likely to provide to the *customer* will, in addition to *packaged products*, relate to one or more of the following:

(a) *regulated mortgage contracts other than lifetime mortgages*;

(aa) *home purchase plans*;

(b) ~~*regulated lifetime mortgage contracts*~~ *equity release transactions*;

(c) ...

...

...

5.1.11B G (1) ...

(2) A firm that carries on business ~~both~~ in relation to *packaged products*, ~~and~~ *regulated mortgage contracts* ~~and~~ *home reversion plans* can do so in relation to the whole market and therefore be "independent" for one but offer only a limited service for the others. ...

...

...

5.3.29 G Guidance on matters which should be taken into account when assessing the suitability of various personal recommendations. This table belongs to COB 5.3.13G(4).

| Suitability guidance |   |     |
|----------------------|---|-----|
| ...                  | ...   | ... |
| H                    | Borrowing to invest   |     |
|                      | When considering the suitability of a particular <i>investment product</i> which is linked directly or indirectly to any form of loan, <del>or mortgage</del> <u>or home reversion plan</u> , a firm: |     |

|   |     |   |
|---|-----|---|
|   | (a) | should take account of the source of the funds being invested and the suitability of the overall transaction; and |
|   | (b) | must follow any relevant suitability and other rules in <i>COB</i> and <i>MCOB</i> .                              |
| For example, the circumstances in which a recommendation to enter into an <del>regulated lifetime mortgage contract</del> <u>equity release transaction</u> and invest the funds into a <i>long-term care insurance contract</i> might be appropriate are limited, and both <i>COB</i> 5.3 and <i>MCOB</i> 8.5 apply. |     |   |

...

Disclosure on making first contact: information about services

5A.2.1 R ...

(4) A *firm* which is required by this *rule* to provide an *initial disclosure document* to a *private customer* may instead provide the *customer* with a *combined initial disclosure document*, that complies with *COB* 4.3.9R(2), if it has reasonable grounds to be satisfied that the *services* which it is likely to provide to the *customer* will, in addition to *stakeholder products*, relate to one or more of the following:

(a) *regulated mortgage contracts* other than lifetime mortgages;

(aa) home purchase plans;

(b) ~~regulated lifetime mortgage contracts~~equity release transactions;

(c) ...

...

...

COB 4 Annex 5R: Combined initial disclosure document ~~required by COB 4.3.9R(2)~~ (“CIDD”)

This Annex belongs to COB 4.3.9R(2), ICOB 4.2.7R(1), MCOB 4.4.1R(1) and MCOB 4.10.2R(1).

1. ~~Firms should omit the notes, asterisks and square brackets which appear in the following specimen.~~

This specimen covers services in relation to *packaged products, non-investment insurance contracts and regulated mortgage contracts home finance transactions* (including *lifetime mortgages* and *home reversion schemes equity release transactions*).

If the firm is ~~only~~ not providing services in relation to ~~two types of these~~ all products, the parts of the CIDD that are not relevant must be omitted.

Information about regulated mortgage contracts and home purchase plans can be combined in the same CIDD. A firm must not give information about equity release transactions in a CIDD that contains information about either regulated mortgage contracts (other than lifetime mortgages) or home purchase plans. Where a firm offers these types of services as well as equity release transactions it will need to have different versions of the CIDD and issue the CIDD that is appropriate for the services that it expects to provide to the customer concerned. Where relevant, this will mean the firm issuing the customer with both documents.

Firms must omit the notes and square brackets that appear in the following CIDD. The CIDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the notes. [Note 1]

...

---

## 2 Whose products do we offer? [Note 6] [Note 7]

---

...

### [Home Finance Products] [Note 14]

#### [Compliance with Islamic law [Note 7A]

Our services are regularly checked by [name(s) of scholar(s)] to ensure compliance with Islamic law. Ask us if you want further information about the role of our scholar(s).]

**[1] [~~Lifetime~~][Mortgages] [Equity Release Products] [~~and home reversion schemes~~] [Note 14]**

We offer [lifetime] [mortgages] [home reversion plans] [equity release products] from the whole market.

We [can] [Note 8] only offer [lifetime] [mortgages] [home reversion plans] [equity release products] from a limited number of [lenders / companies]. Ask us for a list of the [lenders / companies] we offer [lifetime] [mortgages] [home reversion plans] [equity release products] from. [Note 11]

We [can] [Note 8] only offer [a limited range of the] [a] [lifetime] [mortgage] [s] [home reversion plan] [s] [equity release products] from [a single lender / company] [name of single lender / company]. [Note 10(1) and (3)][Note 13]

[or]

We only offer our own [lifetime] [mortgages] [home reversions plan] [equity release products]. [Note 10(2)]

We do not offer [lifetime mortgages] [home reversion plans]. [Note 7B]

**[2] [Islamic Home Purchase Plans] [Note 13A] [Note 14]**

We offer Islamic home purchase plans from the whole market.

We [can] [Note 8] only offer Islamic home purchase plans from a limited number of providers.  
Ask us for a list of the providers we offer Islamic home purchase plans from.  
**[Note 11]**

We [can] [Note 8] only offer [a limited range of the] [a] Islamic home purchase plan [s] from [a single provider] [name of single provider]. [Note 10(1) and (3)][Note 13]

[or]

We only offer our own Islamic home purchase plans. [Note 10(2)]

---

**3 Which service will we provide you with? [Note 6]**

---

...

**[Home Finance Products] [Note 14]**

**[1] [~~Lifetime~~]-[Mortgages] [Equity Release Products] [~~and home reversion schemes~~] [Note 14]**

We will advise and make a recommendation for you on [lifetime mortgages] [home reversions] [equity release products] after we have assessed your needs.

You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of ~~products~~[lifetime mortgages] [home reversions] [equity release products] that we will provide details on. You will then need to make your own choice about how to proceed.

**[2] [Islamic Home Purchase Plans] [Note 14]**

We will advise and make a recommendation for you after we have assessed your needs.

You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

---

**4 What will you have to pay us for our services?**

---

...

**[Home Finance Products] [Note 14]**



**[1] ~~[Lifetime]~~ [Mortgages] [Equity Release Products] ~~[and home reversion schemes]~~ [Note 14]**

- No fee. [We will be paid by commission from the [lender/company that buys your home].] [Note 17]
- A fee of £[ ] payable at the outset and £[ ] payable when you apply for a [lifetime] [mortgage] ~~[or home reversion scheme]~~ [home reversion plan] [equity release product]. [We will also be paid commission from the [lender/company that buys your home]]. [Note 17] [Note 18]

You will receive a key facts illustration when considering a particular [lifetime] [mortgage] [home reversion plan] [equity release product], ~~[or further information about a particular home reversion scheme]~~ which will tell you about any fees relating to it. [Note 14]

**Refund of fees [Note 19] [Note 14]**

If we charge you a fee, and your [lifetime] [mortgage] ~~[or home reversion scheme plan]~~ does not go ahead, you will receive: [Note 20]

- A full refund [if the [lender/company] rejects your application]. [Note 21]
- A refund of £ [ ] [if your application falls through]. [Note 21] [Note 22]
- No refund [if you decide not to proceed]. [Note 21]

**[2] [Islamic Home Purchase Plans] [Note 14]**

- No fee. [We will be paid by commission from the provider. [Note 17]
- A fee of £[ ] payable at the outset and £[ ] payable when you apply for an Islamic home purchase plan. [We will also be paid commission from the provider]. [Note 17] [Note 18]

**Refund of fees [Note 19]**

If we charge you a fee, and your Islamic home purchase plan does not go ahead, you will receive: [Note 20]

- A full refund [if the provider] rejects your application]. [Note 21]
- A refund of £ [ ] [if your application falls through]. [Note 21] [Note 22]
- No refund [if you decide not to proceed]. [Note 21]

---

**5 Who regulates us? [Note 23]**

[XYZ Financial Services] [123 Any Street, Some Town, ST21 7QB] [Note 24] [Note 25] is authorised and regulated by the Financial Services Authority. Our FSA Register number is [ ]. [Note 26]

Our permitted business is [ ]. [Note 27]

[or] [Note 28]

[Name of *appointed representative*] [Note 3] [Note 4] is an appointed representative of [name of *firm*] [address of *firm*] [Note 24] [Note 25] which is authorised and regulated by the Financial Services Authority. [Name of *firm's*] FSA Register number is [ ].

[Name of *firm's*] permitted business is [ ] [Note 27]

You can check this on the FSA's Register by visiting the FSA's website [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register) or by contacting the FSA on 0845 606 1234.

~~[Home reversion schemes are not regulated by the FSA.] [Note 14]~~

---

## 6 Loans and ownership [Note 29]

---

[B&C Investments plc owns 20% of our share capital.]

[London Union plc provides us with loan finance of £250,000 per year.]

[XYZ Financial Services (or we) have 20% of the voting rights in Royal Edinburgh.]

[Note 29][Note 30]Note 31[Note 32][Note 33][Note 34]

---

## 7 What to do if you have a complaint [Note 23]

---

If you wish to register a complaint, please contact us:

...**in writing** Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB].

... **by phone** Telephone [0121 100 1234]. [Note 35]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 36] [Note 36A] [Note 37] ~~[The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 14]~~

---

## 8 Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 23] [Note 38] [Note 38A]

---

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

...

**[Lifetime] [Mortgages] [and] [Home Purchase Plans] [Equity Release Products] [Note 14]**

*[Mortgage], [and] [Home purchase] [and] [Equity release] advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. ~~[Home reversion schemes are not covered by the Financial Services Compensation Scheme.] [Note 14]~~*

*Further information about compensation scheme arrangements is available from the FSCS.*

**[Note 40] Message from the Financial Services Authority**

***Think carefully about this information before deciding whether you want to go ahead. If you are at all unsure about which ~~lifetime mortgage or home reversion~~ scheme equity release product is right for you, you should ask your adviser to make a recommendation.***

***Please remember that home reversion schemes are not regulated by the FSA.***

***[Note 41] Think carefully about the product and services you need. [We can only offer services in relation to Islamic home purchase plans and cannot provide advice on standard mortgages.] [If you want [information] or [advice] on standard mortgages, please ask.]***

The following notes do not form part of the CIDD.

...

**Note 6** – for services in relation to *packaged products* and ~~*regulated mortgage contracts, regulated lifetime mortgage contracts*~~ and ~~home reversion schemes~~ the *firm* must select, for example by ticking, one box which is appropriate for the service which it expects to provide to the *customer*. ... For services in relation to *equity release transactions*, firms must select by ticking the box (es) which is (are) appropriate for the service that they expect to provide to the *customer*. This means a *firm* selecting a maximum of two boxes within this section. *Firms* must not omit the boxes not selected (but see Note 7A).

...

**Note 7A** – The ‘Compliance with Islamic law’ subsection is optional unless the *firm* holds itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with Islamic law in the CIDD. If a *firm* includes Section 1A then it must describe the section on the CIDD as section 2 and renumber subsequent sections accordingly.

A *firm* that wishes to hold itself, its *regulated mortgage contract* or *home purchase plan* products or services out as compliant with religious or philosophical beliefs other than Islamic law in the CIDD may also use the sub-section in accordance with this note and modify the wording in the section to the extent appropriate.

**Note 7B** – if the *firm* does not advise or give personalised information on both types of *equity release transactions*, then it must indicate to the *customer* the sector that the *firm* does not cover. However, if the *firm's* scope of service does not include *equity release transactions*, the last box ('We do not offer [*lifetime mortgages*] [*home reversion plans*!']), must be omitted.

**Note 8** – insert “can” if the *firm's* range of products is determined by any contractual obligation. This does not apply where a *product provider, insurer, lender, lender, or company home purchase provider* or *home reversion provider* is selling its own products.

...

**Note 10** – if the *firm* selects this box, it will be offering the products of one provider to the *customer* for a particular product type. It should therefore follow the format specified in (1) below except when offering its own products, in which case it should follow (2) instead. ...

(1) Insert the name of the provider, namely ... the ~~*lender*~~ *lender* for *regulated mortgage contracts* and ~~*regulated lifetime mortgage contracts*~~, and the ~~*company*~~ *home purchase provider* for *home purchase plans* and the *home reversion provider* for *home reversion plans*. ... If the *firm* does not offer all of the ~~*mortgages or home reversion schemes*~~ *home finance transactions* generally available from that provider, it must insert the words "a limited range of" as shown in the specimen.

(2) ...

(3) If the *firm* offers *home reversion plans* from only one *reversion provider*, and *lifetime mortgages* from only one *lender*, which is different from the *reversion provider*, then the *firm* should identify the *lender* and the *reversion provider* and specify the type of *equity release transaction* to which they relate. For example,

"We can only offer lifetime mortgages from ABC Mortgages Ltd and home reversion plans from XYZ Reversions Ltd."

**Note 11** – for services provided in relation to ~~regulated mortgage contracts, regulated lifetime mortgage contracts and home reversion schemes~~ home finance transactions, this sentence is required only where a *firm* selects this service option. It may also be omitted if a *firm* chooses to list all of the ~~lenders~~ lenders, home purchase providers and home reversion providers it offers ~~mortgages~~ home finance transactions from ~~instead of the text "a limited number of lenders"~~, in the previous line, so long as the *firm* offers all of the products generally available from each ~~lender~~.

...

**Note 13** – if the *firm* does not select this box, it must alter the wording to say "a single group of companies" for *packaged products*, "a single insurer" for *non-investment insurance contracts*, "a single lender" for *regulated mortgage contracts* or ~~regulated lifetime mortgages~~ ~~contracts~~ and "a single company" (or "a single provider") for ~~home reversion schemes~~ home purchase plans and home reversion plans. For example: "We only offer the products from a single group of companies" should replace the text in the specimen CIDD.

**Note 13A** – A *firm* that carries on home purchase activities may omit the word "Islamic" from "Islamic home purchase plan(s)" if one or more home purchase plans within its scope of service is not held out as compliant with Islamic law. If "Islamic" is omitted, it should be omitted consistently throughout the document. However, a *firm* may omit the word "Islamic" in sections 5 and 8 without having to omit it throughout the document. A *firm* that wishes to hold itself, its products or services out as compliant with religious or philosophical belief other than Islamic law in the IDD may make appropriate amendments to references to "Islamic" and "Islamic law".

**Note 14** – in describing the services and products provided, *firms* must omit the text in brackets that do not apply and ensure that they describe accurately their activities with respect of the services and products that they offer, as follows:

(1) Headings and sub-headings:

- a. If the *firm* offers both regulated mortgage contracts and home purchase plans, it must include the heading "Home Finance Products" in the CIDD and describe the regulated mortgage contracts and home purchase plans that it offers under two separate sub-headings. The sub-headings ("Mortgages" and "Home Purchase Plans") must be numbered accordingly. If the *firm* only offers one of these two products, then the heading "Home Finance Products" should be omitted and the heading will read "Mortgages" or "Home Purchase Plans", as appropriate.
- b. If the *firm* offers equity release transactions, then the heading "Home Finance Products" should be omitted and the heading will read "Equity Release Products" (even if the *firm* offers equity release transactions from only one sector).

(2) Describing the products:

- a. If a firm advises or gives personalised information on lifetime mortgages, it must change “mortgage” to “lifetime mortgage”, where the firm sells only regulated lifetime mortgage contracts.
- b. If a firm advises or gives personalised information on home reversion plans, it must use the text in brackets relating to home reversion plans.
- c. If the firm advises or gives personalised information on products from both equity release market sectors, then it must use the term 'equity release products' when referring to them collectively.

(3) Describing the provider: If a firm advises or gives personalised information on home purchase plans or home reversion plans, it must change Firms must insert the text relating to home reversion schemes and change “mortgage” to “product” and “lender” to “company” or “provider”, as appropriate. if they advise or give personalised information on schemes in addition to advising on investments or giving personalised information on regulated lifetime mortgage contracts.

...

**Note 17** – if the firm receives commission instead of, or in addition to, fees from the customer for services relating to ~~regulated home finance transactions mortgage contracts, regulated lifetime mortgage contracts~~ or home reversion schemes, it must insert a plain language explanation of this (see specimen for a plain language example). If the firm will pay over to the customer any commission the firm receives, it may refer to that fact here.

**Note 18** – insert a plain language description of when any fees are payable for services relating to ~~regulated home finance transactions mortgage contracts, regulated lifetime mortgage contracts~~ or home reversion schemes. ... If a firm offers more than one pricing option in relation to equity release transactions, it should specify the pricing policy for each of them. For example, "A fee of £100 payable at the outset and £120 when you apply for a lifetime mortgage and £80 when you apply for a home reversion plan". ~~it may illustrate each with a separate box.~~ If a firm does not charge a fee, the text for the second box should be abbreviated to 'A fee'.

**Note 19** – omit this part of the CIDD on ‘Refund of fees’ if the firm has indicated that there will be “No fee” for services in relation to ~~regulated home finance transactions mortgage contracts, regulated lifetime mortgage contracts~~ or home reversion schemes or that any fee will be payable only if the product completes.

...

**Note 21** – insert a short, plain language description of the circumstances in which the fee for services in relation to ~~regulated home finance transactions mortgage contracts, regulated lifetime mortgage contracts~~ or home reversion schemes is refundable or not refundable as described. If the refund policy is different depending on the equity release transaction in question, the firm should specify the refund policy for each of them. For example, "A refund of £100 if your lifetime mortgage application falls through and a refund of £120 if your home reversion plan application falls through."

**Note 22** – a *firm* may delete this line if it does not offer a partial refund for services in relation to ~~*regulated home finance transactions*~~~~*mortgage contracts*~~, ~~*regulated lifetime mortgage contracts*~~ or ~~home reversion schemes~~ in any circumstances.

### **Section 5: Who regulates us?**

**Note 23** – ... This section may be omitted for services relating to ~~*regulated mortgage contracts*~~ (including ~~*regulated lifetime mortgage contracts*~~) and ~~home reversion schemes~~ ~~*home finance transactions*~~ in accordance with MCOB 4.4.1R(3). If this section is omitted, the other sections of the CIDD must be renumbered accordingly.

...

### **Lifetime mortgage Home finance products warning**

**Note 40** - This warning box should be added when the *firm* sells ~~*regulated lifetime mortgages*~~ ~~*contracts*~~ or ~~home reversion schemes~~ ~~*home reversion plans*~~ or both.

**Note 41** - A *firm* must only include this paragraph if the services to which the CIDD relates include *home purchase activities*. If the *firm* does not carry on *regulated mortgage activities*, it must include the second sentence and delete the third. If the *firm* carries on *regulated mortgage activities* as well as *home purchase activities* it must omit the second sentence and include the third.

## Annex H

### Amendments to the Insurance: Conduct of Business sourcebook (ICOB)

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

...

- 3.1.3 G A communication may contain both a *non-investment financial promotion* and one or more of ~~a financial promotions of other products and a qualifying credit promotion~~, for example, a leaflet from a firm which describes the range of insurance, savings and mortgage products it provides. In such cases, ~~ICOB 3, COB 3 and MCOB 3~~ the financial promotion rules in this, the Conduct of Business and the Mortgages and Home Finance: Conduct of Business sourcebooks will all be relevant.

...

Retail and commercial customers: disclosure before or immediately after conclusion of the contract

- 4.2.1 G ...
- (2) ... For example, an *insurance intermediary* who is also providing services in connection with *packaged products* or ~~regulated mortgage contracts~~ home finance transactions may wish to combine the information required by ~~ICOB 4.2~~ this section with the status disclosure requirements in ~~COB or MCOB~~ the Conduct of Business and Mortgages and Home Finance: Conduct Business sourcebooks, and provide the information to the *customer* on initial contact, using the ~~combined initial disclosure document in ICOB 4 Annex 2~~ combined initial disclosure document.

...

- (4) ... An *insurance intermediary* may use the ~~initial disclosure document in ICOB 4 Annex 1~~ initial disclosure document, the ~~combined initial disclosure document in ICOB 4 Annex 2~~ combined initial disclosure document, a terms of business letter, or another document to provide information to the *customer*.

...

- 4.2.4 G (1) ... Alternatively, in circumstances where the *insurance intermediary* has reasonable grounds to be satisfied that the services which it is likely to provide will, in addition to relating to *non-investment insurance contracts*, also relate to ~~regulated mortgage contracts, regulated lifetime mortgage contracts~~ home



*finance transactions* or *packaged products*, the *insurance intermediary* may use the ~~combined initial disclosure document set out in *ICOB 4 Annex 2*~~*combined initial disclosure document*.

...

...

4.2.7 R If an *insurance intermediary* chooses to use the ~~combined initial disclosure document at *ICOB 4 Annex 2*~~*combined initial disclosure document*...

Delete ICOB 4 Annex 2R. The deleted text is not shown.

ICOB 4 Annex 2R: Combined initial disclosure document (“CIDD”)  
[deleted – see *COB 4 Annex 5*]

## Annex I

### Amendments to the Training and Competence sourcebook (TC)

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

...

2.1.1A     G     Although not subject to TC 2, a firm should have regard to TC 2 in relation to its home purchase activities when deciding how it wishes to align its systems and controls with the high level commitments in TC 1.

Where?

2.1.2     R     ...

(2)     In relation to *regulated mortgage activities* or home reversion activities carried on with or for a *customer*, this chapter applies if the *customer* is resident in:

(a)     the *United Kingdom*; or

(b)     another *EEA State*, but in this case only if the activity is carried on from an establishment maintained by the firm or its *appointed representative* in the *United Kingdom* only;

at the time that the ~~*regulated mortgage activity*~~activity is carried on.

...

...

2.1.4     R     Activities to which TC 2 applies

|                           | Activity  | Extent of Application  |
|---------------------------|---|--|
| 1. Employees engaging in: | <p>...</p> <p>Advising (without dealing)</p> <p>...</p> <p><u>(pa) advising a customer on a home reversion plan;</u></p> <p>...</p> <p><u>(ra) designing scripted questions for use in sales to customers of home reversion plans which do not involve personal recommendations;</u></p> <p>...</p>   | <p>1. ...</p> <p>2. In relation to <i>regulated mortgage activities</i> <u>and home reversion activities</u>, whole of TC 2 applies.</p> <p>3. ...</p> |
| 2. ...                    | <p>...</p> <p>(b) <i>safeguarding and administering investments</i> or holding of <i>client money</i> (unless held in the course of carrying on a <i>mortgage mediation activity</i>, <u>a reversion mediation activity</u>, or an <i>insurance mediation activity</i> only in relation to a <i>non-investment insurance contract</i>);</p> <p>...</p> <p>(g) the sales to customers of <del><i>regulated lifetime mortgage contracts</i></del> <u><i>equity release transactions</i></u> which do not involve <i>personal recommendations</i>.</p> | ...  |

...

- 2.4.3 G In TC 2.4.2R(1)(b) an adequate level of application of knowledge and skills includes:
- (1) specific knowledge of the *firm's* relevant systems and procedures, and of the kinds of *designated investment business* and, regulated mortgage activities and home reversion activities carried on by the *firm*; and

...

...

2.5.1A R The time limits to which TC 2.5.1R applies

| Activity in TC 2.1.4R |                     | Examination must be passed:               |
|-----------------------|---------------------|---|
| 1.                    | ...                 | ...                                       |
|                       | (p)- <u>and</u> (q) | within two years of starting the activity |
|                       | <u>(pa)</u>         | <u>no time limit</u>                      |
| ...                   | ...                 | ...                                       |
|                       | <u>(ra)</u>         | <u>no time limit</u>                      |
| ...                   | ...                 | ...                                       |

...

Insert the following new transitional provisions. The place where the text is added is shown, but the text is not underlined.

TC TP 2

Transitional provisions relating to home reversion plans

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision  | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force                          |
|-----|--|-----|---|--|--|
| 1   | TC 2   | R   | <p><b>Competent employees who carry on lifetime mortgage and home reversion activities</b></p> <p>(1) This transitional provision applies:</p> <p>(a) in relation to <i>home reversion plans</i>; and</p> <p>(b) in respect of an individual employed by a <i>firm</i> at 6 April 2007, if that individual had before that date been assessed as competent by the <i>firm</i> in relation to:</p> | From 6 April 2007 for two years            | Apply in relation to <i>home reversion plans</i> from 6 April 2007 |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | <p>(i) advising on <i>lifetime mortgages</i>;</p> <p>(ii) designing scripted questions for use in non-advised sales to customers of <i>lifetime mortgages</i>; or</p> <p>(iii) overseeing non-advised sales of <i>lifetime mortgages</i>.</p> <p>(2) The <i>firm</i> in 1(b) will (subject to (4)) be deemed to have complied with <i>TC 2.4.5R</i> in respect of activities carried on in relation to <i>home reversion plans</i> that correspond to those in (1)(b) provided that:</p> <p>(a) the individual has been assessed as competent to apply the knowledge and skills necessary to engage in or oversee the relevant home reversion activity before 6 April 2007;</p> <p>(b) the home reversion activity which the individual engages in or oversees continues to be the same, or substantially the same as that immediately before 6 April 2007; and</p> <p>(c) the individual has not experienced any significant break of employment since the previous assessment.</p> <p>(3) Any other <i>firm</i> which subsequently employs the individual in 1(b) will (subject to (4)) be deemed to have complied with <i>TC 2.4.5R(1)(b)</i> provided that:</p> <p>(a) the conditions in 2(b) and (c) are met; and</p> <p>(b) the <i>firm</i> assesses the individual to be competent in accordance with <i>TC 2.4.5R(1)(a)</i>.</p> <p>(4) If the individual has not passed</p> |  |  |
|--|--|--|--|--|

|   |  |   |  |                                 |  |
|---|--|---|--|---------------------------------|--|
|   |  |   | an appropriate home reversions top-up examination before 6 April 2009, a <i>firm</i> in (2) or (3) will cease to be deemed to comply with TC 2.4.5R in relation to that individual.  |                                 |  |
| 2 |  | G | <p>Until 5 April 2009, a <i>firm</i> may rely on paragraph 1 to assess an individual as competent to:</p> <p>(1) advise on <i>home reversion plans</i>;</p> <p>(2) design scripted questions for use in non-advised sales to customers of <i>home reversion plans</i>; or</p> <p>(3) oversee non-advised sales of <i>home reversion plans</i>,</p> <p>if that individual had been assessed by the <i>firm</i> as competent before 6 April 2007 in relation to corresponding <i>lifetime mortgage</i> activities and the activity or role of that individual in relation to his home reversion activities after that date remains the same or substantially the same as it was prior to it.</p> <p>After 5 April 2009 a <i>firm</i> may not rely on paragraph 1 to assess an individual as competent: the individual must be assessed as competent and must have passed an appropriate home reversions top-up examination if they are to continue to carry on a home reversion activity in (1), (2) or (3) after that date. If the individual has not passed an appropriate home reversions top-up examination before 6 April 2009, the individual must be assessed as competent and must have passed an appropriate examination on equity release if they are to carry on a home reversion activity in</p> | From 6 April 2007 for two years | Apply in relation to <i>home reversion plans</i> from 6 April 2007 |

|   |      |   |  |                                 |  |
|---|------|---|--|---------------------------------|--|
|   |      |   | (1), (2) or (3).   |                                 |  |
| 3 |      | G | A <i>firm</i> which relies on paragraph 1 of this table in establishing the competence of an individual should have regard to TC 2.6. In particular, a <i>firm</i> should keep under review the status of an individual deemed competent under paragraph 1 and consider whether an individual may no longer be competent (for example in the light of repeated failures to pass an appropriate home reversion top-up examination).   | From 6 April 2007 for two years | Apply in relation to <i>home reversion plans</i> from 6 April 2007 |
| 4 | TC 2 | R | <p><b>Competent employees who carry on home reversion activities only</b></p> <p>(1) This transitional provision applies:</p> <p>(a) in relation to <i>home reversion plans</i>; and</p> <p>(b) in respect of an individual employed by a <i>firm</i> at 6 April 2007 other than an individual described in paragraph (1)(b) of transitional provision 1.</p> <p>(2) The <i>firm</i> in 1(b) will (subject to (4)) be deemed to have complied with TC 2.4.5R in respect of:</p> <p>(a) advising on <i>home reversion plans</i>;</p> <p>(b) designing scripted questions for use in non-advised sales to customers of <i>home reversion plans</i>; or</p> <p>(c) overseeing non-advised sales of <i>home reversion plans</i>,</p> <p>provided that:</p> <p>(A) the individual has been assessed as competent to apply the knowledge and skills necessary to</p> | From 6 April 2007 for two years | Apply in relation to <i>home reversion plans</i> from 6 April 2007 |

|   |  |   |   |                                 |  |
|---|--|---|---|---------------------------------|--|
|   |  |   | <p>engage in or oversee the relevant home reversion activity before 6 April 2007;</p> <p>(B) the home reversion activity which the individual engages in or oversees continues to be the same, or substantially the same as that immediately before 6 April 2007; and</p> <p>(C) the individual has not experienced any significant break of employment since the previous assessment.</p> <p>(3) Any other <i>firm</i> which subsequently employs the individual in 1(b) will (subject to (4)) be deemed to have complied with TC 2.4.5R(1)(b) provided that:</p> <p>(a) the conditions in 2(B) and (C) are met; and</p> <p>(b) the <i>firm</i> assesses the individual to be competent in accordance with TC 2.4.5R(1)(a).</p> <p>(4) If the individual has not passed an appropriate examination before 6 April 2009, a <i>firm</i> in (2) or (3) will cease to be deemed to comply with TC 2.4.5R in relation to that individual.</p> |                                 |  |
| 5 |  | G | <p>Until 5 April 2009, a <i>firm</i> may rely on paragraph 4 of this table to assess an individual as competent to:</p> <p>(i) advise on <i>home reversion plans</i>;</p> <p>(ii) design scripted questions for use in non-advised sales to customers of <i>home reversion plans</i>; or</p> <p>(iii) oversee non-advised sales of</p>  | From 6 April 2007 for two years | Apply in relation to <i>home reversion plans</i> from 6 April 2007 |



|   |  |   |  |  |   |
|---|--|---|--|--|---|
|   |  |   | <p><i>home reversion plans,</i></p> <p>if that individual did not carry out (and therefore had not been assessed as competent in relation to) <i>lifetime mortgage</i> activities prior to 6 April 2007 and the activity or role of that individual in relation to his home reversion activities after that date remains the same or substantially the same as it was prior to it.</p> <p>After 5 April 2009 a <i>firm</i> may not rely on paragraph 4 to assess an individual as competent: the individual must be assessed as competent and must have passed an appropriate examination on equity release if they are to carry on a home reversion activity in (i), (ii) or (iii).</p> |  |   |
| 6 |  | G | <p>A <i>firm</i> which relies on paragraph 4 of this table in establishing the competence of an individual should have regard to TC 2.6. In particular, a <i>firm</i> should keep under review the status of an individual deemed competent under paragraph 4 and consider whether an individual may no longer be competent (for example in the light of repeated failures to pass an appropriate exam).</p>   | <p>From 6 April 2007 for two years</p> | <p>Apply in relation to <i>home reversion plans</i> from 6 April 2007</p> |

## Annex J

### Amendments to the Supervision manual (SUP)

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

...

3.1.1A G For the avoidance of doubt, this chapter does not apply to the following *firms* if they do not hold *client money* or client assets and do not appoint an auditor under or as a result of a statutory provision other than in the *Act*:

...

(6) ~~mortgage~~home finance administrators;

(7) ~~mortgage~~home finance intermediaries;

(8) ~~mortgage lenders~~home finance providers;

Applicable sections (see SUP 3.1.1R)

3.1.2 R

|      | (1) Category of firm  | (2) Sections applicable to the firm | (3) Sections applicable to its auditor |
|------|---|-------------------------------------|--|
| ...  | ...   | ...                                 | ...                                    |
| (9)  | <del>Mortgage lender</del> <u>Home finance provider</u> which has an auditor appointed under or as a result of a statutory provision other than in the <i>Act</i>   | SUP 3.1 -<br>SUP 3.7                | SUP 3.1,<br>SUP 3.2,<br>SUP 3.8        |
| ...  | ...   | ...                                 | ...                                    |
| (12) | <del>Mortgage</del> <u>Home finance intermediary</u> or <del>mortgage</del> <u>home finance administrator</u> which has an auditor appointed under or as a result of a statutory provision other than in the <i>Act</i> . | SUP 3.1, SUP 3.2, SUP 3.7           | SUP 3.1,<br>SUP 3.2,<br>SUP 3.8        |

...

10.1.17 G ...

(2) SUP 10.1.16R has a limited application to an *appointed representative* appointed by a *firm* to carry on *insurance mediation activity* or ~~*mortgage*~~*home finance* *mediation activity*.

...

...

...

What is a "network"?

12.2.6 G A *firm* is referred to as a '*network*' if ... However, a *network* does not include:

...

(d) A ~~*mortgage lender*~~*home finance provider*.

Business for which an appointed representative is exempt

12.2.7 G (1) The *Appointed Representatives Regulations* ... describe, among other things, the business for which an *appointed representative* may be exempt, which is business which comprises any of:

...

(d) ~~*arranging (bringing about) regulated mortgage contracts*~~*arranging (bringing about) a home finance transaction* (articles 25A(1), 25B(1) and 25C(1) of the *Regulated Activities Order*);

(e) ~~*making arrangements with a view to regulated mortgage contracts*~~*making arrangements with a view to a home finance transaction* (articles 25A(2), 25B(2) and 25C(2) of the *Regulated Activities Order*);

...

(j) ~~*advising on regulated mortgage contracts*~~*advising on a home finance transaction* (articles 53A, 53B and 53C of the *Regulated Activities Order*); and

...

...

What is an introducer appointed representative?

12.2.8 G ...

(2) The permitted scope of appointment of an *introducer appointed representative* does not include in particular:

...

- (d) *advising on investments, providing basic advice on stakeholder products, advising on ~~regulated mortgage contracts~~ a home finance transaction or other activity that might reasonably lead a customer to believe that he had received basic advice or advice on investments or on ~~regulated mortgage contracts~~ home finance transactions or that the introducer appointed representative is permitted to provide basic advice or give advice on investments or on ~~regulated mortgage contracts~~ home finance transactions.*

...

...

- 12.4.5E G (1) Under the relevant Advising and Selling chapters of *COB*, *ICOB* and *MCOB*, the customer will receive ... details of the complaints procedure for the *product provider*, *insurer* or ~~*mortgage lender*~~ *home finance provider*.

...

- (3) The complaints procedure should also explain that the customer has a choice of whether to contact the ... ~~*mortgage lender*~~ *home finance provider* and that ...

...

...

- 12.5.2 G (1) Regulations 3(1) to (3B) of the *Appointed Representatives Regulations* makes it a requirement that ...

...

- (2) Under the *Appointed Representative Regulations*, an appointed representative is treated as representing other counterparties if, broadly, it:

...

- (e) *arranges:*

- (i) for persons to enter (or with a view to persons entering) as ~~borrowers~~ customers into ~~regulated mortgage contracts~~ home finance transactions (or as plan providers in the case of a home reversion plan) with other counterparties; ~~or~~
- (ii) for a person to vary a ~~regulated mortgage contract~~ home finance transaction entered into by a person as ~~borrower~~ customer (or as plan provider in the case of a home reversion plan) on or after

31 October 2004 (in the case of a regulated mortgage contract) or 6 April 2007 (in all other cases) with other counterparties; or

- (f) gives advice (within articles 53A, 53B or 53C of the *Regulated Activities Order* (~~Advising on investments~~)) on the merits of:
- (i) persons entering as ~~borrowers~~ customers into ~~regulated mortgage contracts~~ home finance transactions (or as plan provider in the case of a home reversion plan) with other counterparties; or
  - (ii) persons varying ~~regulated mortgage contracts~~ home finance transactions entered into by them as ~~borrower~~ customer (or as plan provider in the case of a home reversion plan) on or after 31 October 2004 (in the case of a regulated mortgage contract) or 6 April 2007 (in all other cases) with other counterparties;

...

...

...

#### Prohibition of multiple principals for certain activities

- 12.5.6A R (1) A firm must ensure that, if appointing an *appointed representative* (other than an *introducer appointed representative*), to carry on any of the following *regulated activities*, its written contract prohibits the *appointed representative* from carrying on any of the specified activities as an *appointed representative* for another firm:

...

- (c) any *regulated mortgage activities* in relation to *lifetime mortgages*: the prohibition must cover all *lifetime mortgages*;
- (d) any reversion activities: the prohibition must cover all reversion activities;
- (e) any home purchase activities: the prohibition must cover all home purchase activities.

...

12.5.6B G ...

- (2) The effect of ~~SUP 12.5.6AR(1)(b) and SUP 12.5.6AR(1)(c)~~ the rule prohibiting multiple principals for certain activities is that, in relation to ~~regulated mortgage~~ home finance activities ~~with customer~~, appointed representatives are restricted to having ~~two~~ four principals: one for regulated mortgage contracts other than lifetime mortgages, ~~and~~ one for lifetime mortgages, one for home reversion plans and one for home purchase plans.

...

Obligations of firms under the approved persons regime

- 12.6.8 G (1) ...
- (a) ...
- (b) although the *customer functions* (other than the investment manager function) apply to an *appointed representative*, the descriptions of the functions themselves do not extend to ... ~~mortgage~~ home finance *mediation activity* ...

...

...

...

SUP 12 Annex 3R

Appointed Representative Appointment Form

...

|           |   | Yes                      | No                       |
|-----------|---|--------------------------|--------------------------|
| <b>12</b> | Will the appointed representative undertake <del>regulated mortgage</del> <u>home finance</u> activities? * | <input type="checkbox"/> | <input type="checkbox"/> |

...

SUP 12 Annex 4R

Appointed Representative Notification Form

...

Yes No

12

Does the appointed representative undertake regulated  
~~mortgage~~home finance activities? \*

...

## Annex K

### Amendments to the Compensation sourcebook (COMP)

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

...

Areas of particular interest to claimants (see *COMP* 1.1.3G).

1.3.3 G This Table belongs to ~~COMP 4.3.3~~1.1.3G.

|           |  |   |                      |
|-----------|--|---|----------------------|
| ...       | ...  | ...   | ...                  |
| <b>Q2</b> | <b>How much compensation will I be offered?</b>                            |   |                      |
| <b>A2</b> | This depends on whether your <i>protected claim</i> is:                    |   |                      |
|           | ...  | ...   | ...                  |
|           | (4)  | a <i>claim</i> in connection with <del>protected mortgage</del> <u>businesshome finance mediation</u> . | <i>COMP</i> 5.6      |
|           | ...  | ...   | ...                  |
| <b>Q3</b> | <b>How will the FSCS calculate the compensation that is offered to me?</b> |   |                      |
| <b>A3</b> | Again, this will depend on whether your <i>protected claim</i> is-a:       |   |                      |
|           | ...  | ...   | ...                  |
|           | (4)  | a <i>claim</i> in connection with <del>protected mortgage</del> <u>businesshome finance mediation</u> . | <i>COMP</i> 12.4.17R |
| ...       | ...  | ...   | ...                  |

...

Protected investment business and protected ~~mortgage business~~home finance mediation

4.3.7 G There are no exceptions to *COMP* 4.2.2R for *claims* made in connection with *protected investment business* or ~~protected mortgage business~~home finance mediation.

...

What is a protected claim?

5.2.1 R A *protected claim* is:



...

- (4) a claim in connection with *protected mortgage business home finance mediation* (see *COMP 5.6*); or

...

...

Protected mortgage business home finance mediation

5.6.1 R *Protected mortgage business home finance mediation* is:

- (1) *advising on regulated mortgage contracts a home finance transaction*; or
- (2) *arranging (bringing about) regulated mortgage contracts a home finance transaction*; or
- (3) *making arrangements with a view to regulated mortgage contracts a home finance transaction*; or
- (4) *agreeing to carry on a regulated activity in (1) to (3)*; or
- (5) the activities of a *mortgage lender home finance provider* which would be *arranging* but for article 28A of the *Regulated Activities Order* (*Arranging contracts or plans* to which the arranger is a party);

provided that the condition in *COMP 5.6.2R* is satisfied.

5.6.2 R *COMP 5.6.1R* applies only if the *protected mortgage business home finance mediation* was carried on by a *relevant person*:

- (1) with a *customer* who was a resident in the *United Kingdom*; or
- (2) from an establishment maintained by the *relevant person* (or its *appointed representative*) in the *United Kingdom* with a *customer* who was resident elsewhere in the *EEA*;

at the time the *protected mortgage business home finance mediation* was carried on.

...

6.3.4 R For *claims* arising in connection with *protected investment business* or *protected mortgage business, protected home finance mediation* or *protected non-investment insurance mediation*, the *FSCS* has the additional power to determine that a *relevant person* is in *default* if it is satisfied that a *protected claim* exists, and ...

...

8.2.4 R For claims made in connection with *protected investment business* or ~~*protected mortgage business*~~, *protected home finance mediation* or *protected non-investment insurance mediation*, the *FSCS* may disregard a defence of limitation where the *FSCS* considers that it would be reasonable to do so.

...

9.2.2 R The *FSCS* may postpone paying compensation if:

...

- (2) in the case of a *claim* relating to *protected investment business* which is not an *ICD claim* or a claim relating to ~~*protected mortgage business*~~ *home finance mediation*, the *FSCS* considers that the claimant should first exhaust his rights against the *relevant person* or any third party, or make and pursue an application for compensation to any other *person*; or

...

...

Table limits

10.2.3 R This table belongs to *COMP* 10.2.1R

| Type of claim   | Level of cover                             | Maximum payout |
|---|--|----------------|
| ...   | ...  | ...            |
| <del><i>Protected mortgage business</i></del> <i>home finance mediation</i> | 100% × first £30,000<br>90% × next £20,000 | £48,000        |
| ...   | ...  | ...            |

...

~~*Protected mortgage business*~~ *home finance mediation*

12.3.7 R For a *claim* made in connection with ~~*protected mortgage business*~~ *home finance mediation*, the *FSCS* must determine a specific date as the *quantification date*, and this date may be either on, before or after the date of determination of default.

...

~~*Protected mortgage business*~~ *home finance mediation*

12.4.17 R The *FSCS* may pay compensation for any *claim* made in connection with ~~*protected mortgage business*~~ *home finance mediation* only to the extent that the *FSCS* considers that the payment of compensation is essential in order to

provide the claimant with fair compensation.

- 12.4.18 R The *FSCS* must not pay compensation for any *claim* in connection with *protected ~~mortgage~~ businesshome finance mediation* to the extent that it relates to or depends on:

...

- 12.4.19 R The *FSCS* may decide to reduce the compensation that would otherwise be payable for a *claim* made in connection with *protected ~~mortgage~~ businesshome finance mediation* if it is satisfied that there is evidence of contributory negligence by the claimant and it would be inequitable for *FSCS* not to take account of that fact.

...

## Annex L

### Amendments to the Electronic Commerce Directive sourcebook (ECO)

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

...

Exceptions: ~~regulated mortgage contracts~~ home finance transactions

1.2.5A R *ECO 1.2.1 R does not apply to an incoming ECA provider with respect to an electronic commerce activity which relates to a ~~regulated mortgage contract~~ home finance transaction.*

...