

## **Consumer Panel response to Working Paper on Responsible Mortgage Lending and Borrowing**

The Financial Services Consumer Panel was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel is independent of the FSA. The main function of the Panel is to provide advice to the FSA, but it also looks at the impact on consumers of activities outside the FSA's remit. The Panel represents the interests of all groups of consumers.

This is the Panel's response to DG Markt's working paper on responsible mortgage lending. In principle we are supportive of the Commission's intentions with regards to addressing irresponsible mortgage lending and borrowing at EU level. There are, however, two particular issues on which we would like to comment.

The first of these is the proposal to make personalised pre-contractual information compulsory. We have some reservations about the effectiveness of disclosure to adequately inform consumers of the potential pitfalls of the products they are considering. It should certainly not be relied upon as the sole means of ensuring consumers are reliably informed. There should be no substitute for good advice. Nevertheless the UK FSA has already in place a workable document, the Key Facts Illustration (KFI), which has been in operation since the present set of rules were implemented. Therefore, if personalised pre-contractual information were indeed to be mandated we would recommend that the KFI be the template for such documentation.

Our other significant reservation concerns the proposal for firms to assess the creditworthiness and suitability of the contract for the consumer. While we agree that high level provisions in this regard should not be problematic our concern would be if too great a degree of prescription were to follow for creditworthiness and suitability assessments. LTV thresholds, for instance, are, in our view, on their own too crude a measure on which to assess their own suitability and we would not support any proposals which mandate introducing such a provision on a permanent basis.

We look forward to seeing the legislative proposals in due course.