

Dreaming of a place to call your own?

Key issues in mortgage advertising

We have developed a number of case studies around a single theme – *Dreaming of a place to call your own?* These case studies:

- Will help firms understand the implications of the MCOB rules.
- Show how our financial promotion rules for mortgage products services might operate in practice.
- Cover some of the questions that we would expect firms to ask themselves in designing promotions.

We recommend that the case studies are read in conjunction with [MCOB](#):

Where we show examples of good practice, it is important that you do not copy these as the rules apply to financial promotions on a case-by-case basis and they may not be appropriate in all circumstances.

Example 1 – prominence and APR issues



Dreaming....

... of a place to call your own?

Range of affordable mortgages

Apply by 31st October to qualify for a guaranteed mortgage offer

Two year fixed-rate options available

No upfront fees!

ZPQ Financial Services
Contact us on:
0800 123 456 now
Or see
www.zpq.co.uk

Guaranteed offer mortgages subject to a maximum £95000 loan.
Your home may be repossessed if you do not keep up repayments on your mortgage

This mock promotion could certainly be improved.

Prominence

Clearly the risk statement lacks prominence, but also, key information about maximum loan amounts is hidden in the small print.

APR

'Two year fixed-rate options available' and 'no upfront fees' in relation to specific qualifying credit count as price information and therefore triggers the 'overall cost for comparison' APR.

To meet our rules you should also make sure it is clear that the APR relates to the two-year fixed rate option and not generally to the whole range of 'affordable mortgages'.

Fees

The advert states that no up-front fees are charged. However, if a fee is charged for advising or arranging at any stage, an indication of the fee - or representative fee - *must* be given.

Example 2 - APR and prominence issues for customers with impaired credit

Dreaming....

... of a place to call your own?

Range of affordable mortgages

Apply by 31st October to qualify for a guaranteed mortgage offer

All credit histories considered

ZPQ Financial Services
Contact us on 0800 123 456 now
or see www.zpq.co.uk

The overall cost for comparison is 6.9% APR. Your home may be repossessed if you do not keep up repayments on your mortgage

The advertisement is set against a pink background with yellow stars. On the left, a cartoon character is shown sleeping in a bed with 'Z's above their head. A thought bubble above them depicts a colorful house with a 'FOR SALE' sign. The text is arranged in columns, with the promotional offer on the right and the company name and contact information at the bottom right. A small disclaimer is at the bottom center.

Prominence

The risk statement here still lacks prominence, as does the APR.

APR

Even though there is no specific reference to impaired credit or CCJs, the requirement to show an APR is still triggered because the promotion is offering the availability of credit for customers who may consider their access to credit restricted, such as individuals with CCJs.

If the APR varies according to the circumstances of the customer, then the statement: '*The actual rate available will depend upon your circumstances. Ask for a personalised illustration*' must be prominently shown.

The APR should be calculated on the expected 'restricted access to credit business' . It should also be clear that the APR is in relation to this type of business and not to others.

Good practice

This is not guidance, but we would suggest that good practice is for all key information to be above the 'call to action', ie the firm's contact details.

Example 3 – ideas of improving a promotion for customers with impaired credit

Dreaming....

... of a place to call your own?

Range of affordable mortgages
Apply by 31st October to qualify for a guaranteed mortgage offer
All credit histories considered
For customers with impaired credit histories the overall cost for comparison is 6.9% APR. The actual rate available will depend upon your circumstances. Ask for a personalised illustration. Your home may be repossessed if you do not keep up repayments on your mortgage

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This is much improved.

- It contains an APR and the required statements we referred to in the previous example
- The APR and risk statements are above the call to action.
- The APR is equal in prominence to the information that has triggered it, that is, the statement 'All credit histories considered'.

Can it be improved further?

Well, the key information on the APR and risk is run together....

Example 4 – clearer layout on APR and risk

Dreaming....

... of a place to call your own?



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Range of affordable mortgages
Apply by 31st October to qualify for a guaranteed mortgage offer
All credit histories considered
For customers with impaired credit histories the overall cost for comparison is 6.9% APR.
The actual rate available will depend on your circumstances. Ask for a personalised illustration
Your home may be repossessed if you do not keep up repayments on your mortgage

This is looking much clearer....

Example 5 – dealing with fee disclosure in financial promotions

Dreaming....

... of a place to call your own?



ZPQ Independent Financial Services
Contact us on 0800 123 456 now or see www.zpq.co.uk

Range of affordable mortgages
Apply by 31st October to qualify for a guaranteed mortgage offer
All credit histories considered
For customers with impaired credit histories the overall cost for comparison is 6.9% APR
Your home may be repossessed if you do not keep up repayments on your mortgage
A broker fee is charged ranging from 1% to 5% of the loan amount

Fees

All independent firms must offer a fee option, so you *may* charge a fee. If a fee may be charged for advising or arranging the mortgage you must give an indication of the amount of the fee or an indication of a representative fee (if, for example, your fee varies).

In this mock promotion, ZPQ has changed its status and is now an independent firm. Therefore, it must state what its fees consist of.

If the fee varies, it is not acceptable to only quote a range (as in the example). As a minimum requirement, ZPQ needs to quote a single, representative, fee.

Example 6 – how to show a representative fee

Dreaming....

... of a place to call your own?

Range of affordable mortgages
Apply by 31st October to qualify for a guaranteed mortgage offer
All credit histories considered
For customers with impaired credit histories the overall cost for comparison is 6.9% APR
Your home may be repossessed if you do not keep up repayments on your mortgage
A broker fee is charged ranging from 1% to 5% of the loan amount. Our typical fee is 2%

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This slide shows one possible way of addressing the issue of a representative fee. Of course it could be an amount in pounds, if that also gives a fair picture.

Example 7 – how to show more than one rate on interest in a promotion

Dreaming....

... of a place to call your own?



Range of affordable mortgages
4.99% fixed for 2 years
The overall cost for comparison is 6.9% APR
Your home may be repossessed if you do not keep up repayments on your mortgage
A broker fee is charged typically 2% of the loan

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This slide shows an introductory rate of 4.99%, fixed for two years.

When you promote a product where more than one rate of charge will apply and your advertisement contains information about any of these rates, you must state with no less prominence *all* of the rates of charge that will apply.

You must show the rates in sequence from the initial rate and after each rate state (a) the period of application and (b) that the rate then changes.

Example 8 – how to present more than one rate

Dreaming.... 

... of a place to call your own? 



Range of affordable mortgages
Ask about our low fixed rate mortgage:-
4.99% fixed for 2 years

Switching to
7.12% standard variable rate for the rest of the term
The overall cost for comparison is
6.9%APR

An early repayment charge will apply for the fixed rate period 

Your home may be repossessed if you do not keep up repayments on your mortgage

A broker fee is charged typically 2% of the loan

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This slide shows how a multi-rate mortgage can be presented. When you promote a feature of a product, you should give no less prominence to the possible disadvantages than to the benefits associated with that feature.

So for example, if you are promoting a mortgage with a fixed- rate period and early repayment charges apply for the period of the fixed rate, you should make this clear.