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Chris Cummings
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Dear Chris

You will no doubt be aware of the continuing interest in, and concern about, mortgage fraud in the UK and the harm it causes. I know that you share this concern: in particular, I appreciate the Association of Mortgage Intermediaries' clearly-stated view that the mortgage fraudsters within the intermediary community tarnish the reputation of the industry as a whole, and its backing for the FSA's work in driving them out of the market. AMI's continuing focus on mortgage fraud is particularly commendable given the current market conditions, and I know we are in agreement that these conditions in no way reduce the importance of the issue.

The FSA has been taking steps to deal with mortgage fraud for some time, and is now ensuring there is a co-ordinated response to this threat. By doing so, we aim to address fraudulent behaviour by regulated firms. We will also support other authorities in their work to tackle fraudulent consumer behaviour. I am writing to you to request your support for these measures, and your co-operation in ensuring your members engage fully with them.

Among the main points of the programme are:

- Targeted visits to 200 mortgage intermediaries to assess financial crime systems and controls;
- Increasing the intelligence received from lenders, by reporting streamlining processes and providing more clarity on the information needed;
- Encouragement to intermediaries to report suspicions of problems either within intermediaries or lenders, via the FSA's Firms Contact Centre;
- Enhancing the way intelligence is used in supervising firms and bringing about enforcement actions;
- Strengthening engagement with regulators and law enforcement partners including the National Fraud Strategic Authority (NFSA);
- Encouraging improved information sharing and intelligence analysis in the industry;
- Reviewing the role of the Approved Persons regime as it relates to mortgage intermediaries.

You can find more information on our website at <http://www.fsa.gov.uk/crime>.

The programme takes forward the FSA's recent successes in identifying and prohibiting intermediaries who have been implicated in mortgage fraud, whether by individuals or groups. The most recent enforcement actions, which include heavy financial penalties as well as removal from the market, should be taken as a statement of intent.

The upgrading of the IFL project will allow us to focus our attention on those brokers who are bringing the industry into disrepute, thus defending the reputations – and the businesses – of the honest majority. Similarly, closer investigative and intelligence relationships with our regulatory and supervisory colleagues is intended to ensure an improved defence for FSA-regulated firms against misbehaviour in other sectors, while an increased flow of cases to our law enforcement partners – we are now working with more than a dozen regional police forces and national law enforcement agencies on live cases – should offer a more robust deterrent to those with criminal intent.

We are also working more broadly with other partners to strengthen the defences against fraud across the mortgage community. We therefore welcome and support the National Fraud Strategic Authority's current review of the UK's wider mortgage fraud response.

In practice, the effect on both intermediaries and lenders is to intensify the existing focus on senior management's responsibility to ensure appropriate controls are in place. For intermediaries, I ask the AMI to remind its members that in practice, they need to be able to demonstrate their compliance with three essential principles:

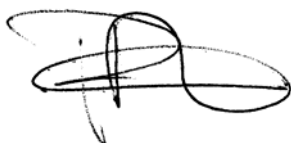
- Recording: ensuring all transactions and relationships are properly documented;
- Reporting: alerting counterparties including lenders and, of course, the FSA of any concerns or suspicions which emerge;
- Responsibility: ensuring transparency and openness in all of a firm's relationships with both customers and counterparties, and recognising the need to apply common-sense caution when assessing applications against the risk of mortgage fraud.

Our programme takes into account the effects on mortgage intermediaries of the current market conditions. It does not imply any significant additional burden on firms who are already fulfilling their regulatory responsibilities; rather, we are simply asking firms to ensure that they are doing what they are already expected to do.

We have an opportunity in the current climate to work together to remove the stigma caused by the dishonest few, and to ensure standards in the industry are such that the bad stand out and can be removed from the market. I expect firms to take advantage of that opportunity so as to ensure that once the market revives, the benefit accrues to the vast majority of honest businesses and individuals, rather than to mortgage fraudsters.

I would be very grateful if you would bring this letter to the attention of your members.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Philip Robinson', written in a cursive style.

Philip Robinson
Director, Financial Crime and Intelligence Division