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This newsletter provides a summary of PS06/12. Please see 'Who should read this paper?' below to see if PS06/12 is relevant to you.

Financial Services Authority

Regulation of Home Reversion and Home Purchase Plans

Feedback on CP06/8 and final rules

Why are we issuing this Policy Statement (PS)?

We consulted in Consultation Paper 06/8 (CP06/8) on our proposals for regulating Home Reversions (HRs) and Home Purchase Plans (HPPs). This Policy Statement (PS) reports on the responses we received and sets out, in final form, the rules and guidance which will apply to the sale of these products when regulation comes into force on 6 April 2007.

Who should read this paper?

This paper will be of interest to firms active in the HR and HPP markets, relevant trade bodies and consumer representatives and advice agencies. It will also be of interest to those involved in the lifetime mortgage (LTM) market as some of the rule changes have implications for LTM firms. Firms carrying on standard mortgage business will also have an interest in this PS, as there are changes in terminology that will apply to them, although these do not alter mortgage firms' existing regulatory requirements.

Is this of interest to consumers?

Home Reversions: This PS will be of interest to consumers who are considering using equity release to raise money from their homes and to groups representing the interests of older consumers. In particular, consumers and their representatives may wish to note the conduct of business rules which seek to ensure that firms treat consumers fairly both before and after they buy an HR. Most of our HR rules are aimed at protecting consumers who wish to release equity from their homes through an HR, but this PS also contains some proposals designed to protect private individuals who may be considering investing in an HR.

Home Purchase Plans: This PS will also be of interest to consumers, particularly Muslim consumers, who are interested in buying a home in a way that is acceptable under Islamic law. It will also be of interest to consumer groups.

What is the background to this?

This work follows recent Parliamentary approval of the necessary amendments to secondary legislation to bring HRs and HPPs into our regulatory scope. The Treasury consulted separately on these amendments earlier this year and issued a Feedback Statement on 13 September 2006.

What happens next?

The next important stage is the authorisation process. Firms that are currently unauthorised and that intend to carry on any of the new regulated activities after 6 April 2007 will need to apply for authorisation (or become appointed representatives). Firms that are already authorised will need to obtain a Variation of Permission (VoP).

Firms are encouraged to apply for authorisation as soon as possible after 6 November to ensure that their applications are dealt with before the new regimes start. Details of the application process have been available on the FSA website since the end of September.

As indicated in CP06/8, we also consulted, in our July Quarterly Consultation Paper (QCP) on two further issues: draft fees rules and draft regulatory reporting requirements for HR and HPP firms. The fees rules have now been finalised and these are covered in paragraph 2.15 for HRs and paragraph 3.10 for HPPs. We will finalise the regulatory reporting requirements for HR and HPP firms shortly and publish them at the end of November 2006.

We will be consulting, in our next QCP in January 2007, on one additional consumer protection measure which is intended to reduce the risk of consumer detriment arising from non-advised sales where the HR provider may not require authorisation. Subject to consultation, this measure will be brought into force at the same time as the rules set out in this PS (see paragraph 2.39-2.40 for details).

The key dates for firms in the countdown to regulation are as follows:

6 November 2006: HR /HPP firms can start to submit authorisation applications;

23 March 2007: The latest date by which firms must have applied in order to qualify for interim authorisation. (They must also have been undertaking HR or HPP business on or before 5 November 2006);

6 April 2007: Regulation of HRs and HPPs begins.

This Policy Statement reports on the main issues arising from Consultation Paper 06/8 (*Regulation of Home Reversion and Home Purchase Plans*) and publishes final rules.

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You can download the full Policy Statement from:

www.fsa.gov.uk/pages/Library/Policy/Policy/2006/06_12.shtml

Or you can order hard copies of the paper:

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