


Mortgage brokers




Mortgage fraud

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What are my responsibilities?

All FSA-regulated firms have a responsibility to:

- protect themselves against the risk of being used for mortgage fraud;
- be able to recognise mortgage fraud; and
- have in place robust procedures for verifying information about customers and employees.

This means you also need to check the information you receive from those introducing business to your firm so you know who you are doing business with and understand where this business has come from. In a recent case, a broker was unknowingly accepting fraudulent applications from an introducer based in another part of the country. The broker made no checks on the introducer or on the quality of the information received, and rarely met any of the customers, making him an easy target for the fraudster.

All mortgage intermediaries need to meet the general requirements of the Systems and Controls section of the FSA Handbook (SYSC 3.2.6R). This includes having systems and controls in place to counter the risk of being used to further financial crime.

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What can I do to make sure my firm isn't used to perpetrate fraud?

The following list highlights some of what your firm should look out for and action for you to consider:

- Suspected fraudulent documentation being used to support a mortgage application such as bank statements, wage slips, P60s, accountant references, passports, driving licences and utility bills. Fraudsters commonly use fake documentation to fool brokers and lenders.
- Is the income level declared by the applicant believable compared with their employment?
- Consider asking for wage slips and bank statements as part of your sales process irrespective of whether the lender requires them and always ask to see original documentation.
- Cross-reference and question documentation you receive whilst processing the application. For example, does the information on the bank statement contradict that on the factfind? Do the source and amount of income agree with what the applicant has

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Continued: What can I do to make sure my firm isn't used to perpetrate fraud?

- declared? Are benefits recorded on the bank statement (for example Jobseeker's Allowance) and if so why?
- Use the management information in your new business register and watch out for links or trends identified between customers. These can be purchase on the same development, identical loan amounts and the same employers, addresses and accountants. These could point to fraudulent activity as gangs often target brokers and lenders with multiple applications.
- Ask yourself whether your firm is being vigilant enough and has the appropriate systems in place to prevent it being used to perpetrate fraud.

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What is the FSA doing about mortgage fraud?

Mortgage fraudsters tarnish the reputation of the industry as a whole, and there is no place in the market for firms who are – or have been – knowingly involved in mortgage fraud. We are cracking down on mortgage fraud by working to encourage greater collaboration and coordination among key participants in the mortgage market to toughen the industry's defences.

Back in 2006 we launched our Information From Lenders scheme. This encourages lenders to tell us of cases where they have detected proven, or suspected, fraudulent mortgage applications they consider serious enough to have removed the intermediary from their panel. We have recently stepped up our work with lenders and more are getting involved with the scheme.

Using the information we receive from lenders – and what we currently receive from others such as whistleblowers, firms and the police – we are able to target firms suspected of involvement in fraud (more effectively).

We have strengthened our intelligence capabilities and are now working with more than a dozen regional police forces and national law-enforcement agencies. In addition, we have been successful in banning intermediaries implicated in mortgage fraud.

Our most recent enforcement actions are a statement of our intent to take strong action on fraud. Perpetrators of fraud are increasingly facing bans, heavier fines and having to give up illicit gains. We have banned more than 100 mortgage brokers and others involved in submitting false mortgage applications.

Recurring themes in the cases so far include instances where the broker was:

- Knowingly and dishonestly involved.
- Submitting applications in their own name with false income details.
- Failing to take steps to prevent the firm being used for financial crime.
- Failing to meet minimum regulatory standards of honesty and integrity.
- Failing to cooperate with the FSA.

All firms are at risk of being defrauded. We are taking a tougher stance on those firms who put their business at risk by not putting in place the appropriate level of systems and controls and leaving themselves open to being targeted for fraud.

We have completed a thematic review on lenders' systems and controls against mortgage fraud. The objective of the work was to ensure that lenders have implemented and embedded adequate systems and controls to identify, assess, manage, and mitigate mortgage fraud. You can find a copy of this review on the FSA website. Our regulatory guide *Financial crime guide* for firms also contains guidance on mortgage fraud.

For more useful information on how financial crime affects you and to report suspicions of fraudulent activity by another broker (preferably backed up with evidence), visit: www.fsa.gov.uk/mortgage

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