

# Mortgage brokers



## Non-advised mortgage sales

This factsheet is for:

- mortgage brokers; and
- other firms that provide mortgage products on a non-advised basis

It covers:

- the key differences between advised and non-advised sales;
- identifying your customer's needs and circumstances;
- assessment of affordability in a non-advised sale;
- training and competence requirements;
- protecting you and your firm; and
- good practice.

## In this factsheet:

**Key differences**

**Your customer's needs**

**Good practice**

## The key differences between an advised and non-advised sale

### Advised sales

You give advice when you make a personal recommendation to the customer. This advice is individual and specific to that customer's circumstances. We require you to take reasonable care to ensure the advice is suitable.

### Non-advised sales

A non-advised sale is when you make no personal recommendation to the customer.

The customer must, however, still receive enough information about the product to enable them to make an informed decision on whether it meets their own circumstances.

Examples of non-advised sales could be where:

- the customer decides or knows the specific product they want; or
- your firm offers information on a range of products for the customer to make their own informed decision.

Your firm's initial disclosure document (IDD) must make clear that you are not offering advice or a recommendation.

It is also good practice for your firm to explain this verbally during the sales process.

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## Your customer's needs and circumstances

During a non-advised sale you need to use scripted questions or a decision tree. Both of these include a sequence of questions to get information about the customer's needs and circumstances.

The answers allow you to narrow down the products through your sourcing system and provide information on them if you are operating on a whole-of-market basis or on a limited panel. If

your firm operates on a single-lender basis, then you may need fewer questions in your script.

Once you have enough information about your customer's needs and circumstances, you may go on to identify several regulated

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mortgage contracts which match features identified by the scripted questioning and present these in a balanced and neutral way.

Some firms choose to print off several key facts illustrations (KFIs) of the appropriate products and verbally explain the key features of each.

What you should not do is choose the product you believe is the best for the customer, as this is making a personal recommendation.

Answering questions such as 'which one would you choose', or 'what should I do?' is also not appropriate. If the customer is genuinely confused and unsure, you should end the sale and suggest they seek advice.

## Assessment of affordability in a non-advised sale

As with an advised sale, we still require you to consider whether processing an obviously unaffordable mortgage is treating their customer fairly. It is good practice to take affordability into consideration when processing a non-advised sale.

You can also prompt customers to check for themselves that they can comfortably afford their monthly payments both at the initial rate and standard variable rate (SVR).

What you should not do is give the customer an impression that you have checked overall suitability. Similarly, you cannot avoid responsibility for the sale by asking the customer to sign a disclaimer. Doing this goes against our treating customers fairly principles.

If it becomes clear to you that the customer has chosen a product that may be unaffordable and therefore inappropriate, you must recommend that the customer seeks advice. This will

allow the customer to receive a full affordability and suitability assessment from an appropriately qualified adviser.

## Protecting you and your firm

If the sale is non-advised, you should be able to demonstrate through your records and communications to the customer that no recommendation was made.

Your sales documentation and communications to the customer should be fit for purpose and make no reference to you giving them 'advice'.

## Training and competence requirements

Your firm must ensure that staff conducting non-advised sales are competent to do so.

In particular, you need to make sure that staff understand how to use the sales script and what constitutes a personal recommendation and what does not.

You should supervise staff that do not meet these requirements until they reach the required level of competence. This is to ensure that they do not inadvertently give advice and that they keep to the important aspects of the sales script.

Additionally, your firm should ensure that you have enough supervisory staff for the size of the sales team, and that supervisors have the technical knowledge, assessment skills and coaching skills to act in their roles.

Staff should not give a personal recommendation unless they are making an advised sale and have met the training and competence requirements for advising on regulated mortgage contracts.

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## Good practice

- After the firm establishes what the customer's circumstances are, it impartially explains the key product features at the sourcing stage and encloses a copy of the research with the key features illustrations in any correspondence. Giving this information helps the customer make an informed decision on the right product for them.
- If the customer is knowledgeable and has a specific product in mind, the broker will still take them through the scripted questions and carry out research. The customer may still select the original choice of product but at least they will have seen the other options available to them.
- The firm monitors staff – either by listening to calls, observing client meetings, or checking files – to ensure they follow the set script and do not give advice.
- The firm recommends that customers seek advice in complex situations, such as lending into retirement and debt consolidation.

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