

Protection Review

14 July 2016

Panel Session

**Mortgages and Protection:
how can we make it work better?**

Teresa Fritz

Financial Services Consumer Panel

Financial Services Consumer Panel: who are we?

- Independent statutory body, set up to represent the interests of consumers within the regulation of financial services.
- We work to advise and challenge the FCA from the earliest stages of its policy development to ensure they take into account the consumer interest.
- Members encompass a broad range of relevant expertise and experience including consumer advice, campaigning, communications, market research, journalism, the law, financial services industry, financial inclusion, European issues, financial regulation and compliance and later life issues.

Mortgages and protection: what the regulations say - ICOBS 5.3

5.3.1 A firm must take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgement.

5.3.2 In taking reasonable care to ensure the suitability of advice on a payment protection contract or a pure protection contract a firm should:

(a) establish the customer's demands and needs. It should do this using information readily available and accessible to the firm and by obtaining further relevant information from the customer including details of existing insurance cover; ***it need not consider alternatives to policies nor customer needs that are not relevant to the type of policy in which the customer is interested;***

(b) take reasonable care to ensure that a policy is suitable for the customer's demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations and conditions; and

(c) inform the customer of any demands and needs that are not met.

Mortgages and protection: why life cover + CI and not IP?

- The current regulations mean financial advisers don't have to consider income protection as part of a mortgage sale
- But they can consider critical illness alongside life cover because that is meeting the customer's need (i.e. to cover the mortgage)
- But the cost of life insurance + critical illness means – for most families – there is no spare money in the budget for income protection

Mortgages and protection: why life cover + CI and not IP?

“....it need not consider alternatives to policies nor customer needs that are not relevant to the type of policy in which the customer is interested;”

- But is the customer ***interested in*** life cover and critical illness or are those the only options advisers are giving them?
- How many customers ***ask*** about income protection?
- But what might their reaction be if they were given the choice?

What are consumers looking for?

Mar 2015 to Apr 2016

Money Advice Service Guide	Unique page views	Time on page (minutes)
Reclaiming PPI	91,225	4.27
Do you need Critical illness insurance?	59,734	4.43
Do you need life insurance?	51,627	6.29
Do you need income protection insurance?	42,349	4.01
How and where to buy Income Protection insurance?	10,390	3.52
Life insurance – how and where to buy it?	7,317	5.25
How and where to buy Critical Illness insurance?	4,771	3.41

Mortgages and protection: so how can we make it better?

- We could lobby the Regulator to introduce an RU64 rule forcing advisers to explain why they have recommended critical illness and not income protection
- But do we really need more regulation to treat customers fairly?

Mortgages and protection: so how can we make it better?

- Advisers could look beyond the regulations: is life cover and CI what the customer really needs?
- Would life cover and IP (or even IP alone) suit them better?
- Is the advice process currently meeting the regulatory requirement to: ***inform the customer of any demands and needs that are not met?***

Mortgages and protection: so how can we make it better?

And.....

- We need a simple IP product
- Providers must do more to make IP sales as easy as CI sales

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