

The Mortgage Code

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THE MORTGAGE CODE

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Mortgage Code Compliance Board
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This is a voluntary Code followed by lenders and mortgage intermediaries in their relations with personal customers in the United Kingdom. It sets standards of good mortgage lending practice which are followed as a minimum by those subscribing to it. As a voluntary Code, it allows competition and market forces to operate to encourage higher standards for the benefit of customers.

The standards of the Code are encompassed in the 10 key commitments found at the beginning. These commitments apply to the conduct of business for all mortgage products and services provided to customers by lenders and mortgage intermediaries.

Banking practice is covered in more detail in the Banking Code issued by the British Bankers' Association, The Building Societies Association and the Association for Payment Clearing Services. Not all lenders subscribing to the Mortgage Code are members of the BBA, BSA and APACS.

The Code provides valuable safeguards for customers. It should help them understand how lenders and mortgage intermediaries are expected to deal with them. Customers should check which lenders and mortgage intermediaries comply with it by contacting the Mortgage Code Compliance Board, whose address is shown opposite.

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The Mortgage Code Compliance Board also monitors compliance by lenders and mortgage intermediaries with the Code and oversees its review from time to time.

Within the Code, ‘you’ means the customer and ‘we’ means –

In Part 1 (Sections 1 - 3) –
both lenders and mortgage intermediaries

In Part 2 (Sections 4 - 10) – lenders only

In Part 3 (Sections 11 - 16) –
mortgage intermediaries only

This Code was effective for lenders from 1 July 1997 and from 30 April 1998 for mortgage intermediaries.

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PART I: BOTH LENDERS AND MORTGAGE INTERMEDIARIES

I. KEY COMMITMENTS

1.1 We, the subscribers to this Code, promise that we will:

- act fairly and reasonably in all our dealings with you;
- ensure that all services and products comply with this Code, even if they have their own terms and conditions;
- give you information on our services and products in plain language, and offer help if there is any aspect which you do not understand;
- unless you have already decided on your mortgage, help you to choose a mortgage to fit your needs;
- help you to understand the financial implications of a mortgage;
- help you to understand how your mortgage account works;
- ensure that the procedures our staff follow reflect the commitments set out in this Code;
- correct errors and handle complaints speedily;
- consider cases of financial difficulty and mortgage arrears sympathetically and positively;
- ensure that all services and products comply with relevant laws and regulations.

2. MARKETING OF MORTGAGES

Marketing loans to minors

2.1 We will not send marketing material indiscriminately and, in particular, we will be selective and

careful if you are under eighteen years old and where material relates to loans.

Advertising

2.2 We will ensure that all our advertising and promotional material is clear, fair, reasonable and not misleading.

3. HELPING YOU TO CHOOSE A MORTGAGE

Levels of Service

3.1 Choosing a mortgage may be your most important financial commitment. At the earliest contact which we have with you, we will provide you with a copy of a leaflet entitled *You and Your Mortgage*, which summarises the Code's key commitments and explains that there are three levels of service which may be provided under the Code. We will tell you which of these levels of service we offer. These are:

- (a) **advice and a recommendation** as to which mortgage is most suitable for you. When giving advice, we will take care to help you to select a mortgage to fit your needs by asking for relevant information about your circumstances and objectives. Our advice will also depend on your particular requirements and on the market conditions at the time. The reasons for the recommendation will be given to you in writing before you complete your mortgage.
- (b) **information on the different types of mortgage product** we offer so that you can make an informed choice of which to take;
- (c) **information on a single mortgage product only**, if we only offer one mortgage product or if you have already made up your mind.

Confirmation of Service

Before you take out your mortgage, we will confirm, in writing, the level of service given.

Alternative repayment methods; Interest only mortgages; Early repayment; Interest rate alternatives; Future repayments; Insurance; Charges payable; Transfer of Terms; Information to credit reference agencies; High percentage loans

3.2 When providing information to help you to choose a mortgage, for the purposes of (a), (b) and, for single product companies (c), above, we will give you the following –

- an explanation of the main repayment methods we offer (for example, repayment or interest only) and the repayment periods available;
 - for interest-only mortgages:
 - a general description of the types of investment (for example, endowment policy, pension plan) or other means which may be used to repay the mortgage;
 - an explanation of the effect of failing to make suitable arrangements to repay the mortgage;
 - information on whose responsibility it is to ensure that an adequate repayment method is in place. Your lender will remind you annually of the need to make sure that an adequate repayment method is in place;
 - an explanation that early repayment of a mortgage, early surrender of an investment, or changes in personal circumstances (for example, long-term sickness or relationship breakdown) can have adverse financial consequences, depending on the particular type of mortgage or investment;
 - a description of the types of interest rates available (for example, variable, fixed, discounted and capped rates);
- an explanation and illustration of future potential repayments at the end of any fixed, discounted or capped interest rate period, based on the relevant current variable mortgage interest rate;
 - a description of any insurance services which we can arrange (for example, buildings, contents, mortgage payment protection and life insurance);
 - whether it is a condition of the mortgage that such insurance be taken out and whose responsibility it is to ensure that it is taken out;
 - whether it is a condition of the mortgage that such insurance must be arranged by us;
 - a general description of any costs, fees or other charges in connection with the mortgage which may be payable by you (for example, mortgage valuation fees, arrangement fees, early repayment charges, legal fees and insurance premiums);
 - an explanation of whether your selected mortgage terms (for example, a fixed interest rate) can be continued if you move house;
 - a description of when your account details may be passed to credit reference agencies;
 - if your mortgage represents a high percentage of the price or valuation of your property (usually 75% or more), you may have to pay a high percentage lending fee. Some or all of this fee may be used by the lender, at its discretion, to obtain mortgage indemnity insurance to act as extra security for its sole benefit. If this is the case, the lender will give you a written explanation, stating that:
 - such insurance will not protect you if your property is subsequently taken into possession and sold for less than the amount you owe;

- you will remain liable to pay all sums owing, including arrears, interest and your lender's legal fees;
- if a claim is paid to your lender under such insurance, the insurers generally have the right to recover this amount from you.

PART 2: LENDERS ONLY

4. LENDING

Financial assessment of the loan

4.1 All lending will be subject to our assessment of your ability to repay. This assessment may include:

- taking into account your income and commitments;
- how you have handled your financial affairs in the past;
- information obtained from credit reference agencies and, with your consent, others (for example, employers, other lenders and landlords);
- information supplied by you, including verification of your identity and the purpose of the borrowing;
- credit assessment techniques (for example, credit scoring);
- your age;
- any security provided, including the condition and value of the property.

Guarantees

4.2 If you want us to accept a guarantee or other security from someone for your liabilities, you may be

asked to consent to the disclosure, by us, of your confidential financial information to the person giving the guarantee or other security or their legal adviser. We will also:

- encourage them to take independent legal advice to make sure that they understand their commitment and the potential consequences of their decision. All the documents they will be asked to sign will contain this recommendation as a clear and prominent notice;
- advise them that by giving the guarantee or other security they may become liable instead of or as well as you;
- advise them what the limit of their liability will be. An unlimited guarantee will not be taken.

5. TERMS & CONDITIONS

Plain Language

5.1 All written terms and conditions will be fair in substance and will set out your rights and responsibilities clearly and in plain language, with legal and technical language used only where necessary.

Changes to terms and conditions

5.2 Occasionally terms and conditions may have to be changed. We will tell you how you will be notified of these changes and will give you reasonable notice before any change takes effect. If there have been significant changes in any one year, we will give or send you a copy of the new terms and conditions or a summary of the changes.

Interest Rates

5.3 Before you take out a mortgage and at any time you ask, we will:

- tell you the interest rates which apply to your account(s) and will explain when interest is charged (for example, on the outstanding mortgage balance at the beginning of each year);
- tell you whether the interest rate may be varied;
- tell you when any capital repayments you make will reduce the balance and the outstanding interest on your mortgage.

Interest rate changes

5.4 The interest rate which applies to your account may change from time to time. When we change the interest rate we will tell you about the changes at the earliest opportunity by either:

- letter/other personal notice; or
- notices/leaflets in branches and press advertisements. If this option is used, we will tell you the interest rate applicable to your account at least once a year.

6. CHARGES

Tariff

6.1 Before you take out a mortgage and at any time you ask, we will give you a tariff covering the operation and repayment of your mortgage, including charges and additional interest costs payable should you fall into arrears.

Other charges

6.2 We will tell you the charges for any other service or product before or when it is provided or at any time you ask.

Tariff changes

6.3 We will send you a mortgage tariff each year, if there have been changes to it.

7. CONFIDENTIALITY

Duty of privacy

7.1 We will treat all your personal information as private and confidential (even when you are no longer a customer). Nothing about your accounts, nor your name and address, will be disclosed to anyone, including other companies in our group, other than in four exceptional cases permitted by law. These are:

- where we are legally compelled to do so;
- where there is a duty to the public to disclose;
- where our interests require disclosure;

This will not be used as a reason for disclosing information about you or your accounts (including your name and address) to anyone else including other companies in our group for marketing purposes.

- where disclosure is made at your request or with your consent.

Information to credit reference agencies

7.2 Information about your mortgage debts owed to us may be disclosed to credit reference agencies where:

- you have fallen behind with your payments; and
- the amount owed is not in dispute; and
- you have not made proposals satisfactory to us for repayment of your debt following formal demand; and
- you have been given at least 28 days' notice of our intention to disclose.

Information on possession cases

7.3 If we intend to take possession of your property, we will tell you that this information may be dis-

closed to credit reference agencies and that your name may be passed to other lenders by being placed on the CML Possessions Register.

Consent for other disclosures

- 7.4 We will not give any other information about you to credit reference agencies without your consent.

Data protection access

- 7.5 We will explain that you have a right of access under the Data Protection Act 1998 to your personal records held on our files.

Marketing restrictions

- 7.6 Occasionally, we will bring to your attention additional services and products which may be of benefit to you. However, when you become a customer, we will give you the opportunity to say that you do not wish to receive this information.

No marketing reminder

- 7.7 We will remind you, at least once every three years, that you can ask not to receive this information.

Your consent to marketing

- 7.8 Unless you specifically request it, or give your express consent in writing, we will not pass your name and address to any company, including other companies in our group, for marketing purposes.

Responding to other marketing

- 7.9 We may tell you about another company's services or products and, if you respond positively, you may be contacted directly by that company.

8. FINANCIAL DIFFICULTIES

Considering cases

- 8.1 We will consider cases of financial difficulty and mortgage arrears sympathetically and positively. Our first step will be to try to contact you to discuss the matter.

How we can help

- 8.2 **If you find yourself in financial difficulties you should let us know as soon as possible. We will do all we can to help you to overcome your difficulties. The sooner we discuss your problems, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.**

General principles

- 8.3 We will follow the general principles of the CML's Statement of Practice on Handling Arrears and Possessions, including:
- with your co-operation, developing a plan with you for dealing with your financial difficulties and clearing the arrears, consistent with both our interests and yours;
 - possession of your property will be sought only as a last resort when attempts to reach alternative arrangements with you have been unsuccessful.

Co-operating with recognised debt advice organisations

- 8.4 If you are in difficulties, you can also get help and advice from debt counselling organisations. At your request and with your consent, we will liaise, wherever possible, with debt counselling organisations that we recognise, for example:
- Citizens Advice Bureaux; or
 - Money advice centres; or
 - The Consumer Credit Counselling Service.

9. COMPLAINTS

Internal complaints procedure

- 9.1 We have internal procedures for handling complaints fairly and speedily and we will tell you what these are. These will include establishing a set time for an initial acknowledgement to your complaint. We will tell you how long it might take us to respond more fully.

Making complaints

- 9.2 If you wish to make a complaint, we will tell you how to do so and what to do if you are not happy about the outcome. Staff will help you with any queries.

Ombudsmen and arbitration

- 9.3 Lenders have separate independent Ombudsmen or arbitration schemes. The Ombudsmen or arbitrators are available to resolve certain complaints made by you if the matter remains unresolved through our internal complaints procedures.
- 9.4 Lenders subscribing to this Code belong to one or other of the following:
- The Banking Ombudsman Scheme;
 - The Building Societies Ombudsman Scheme;
 - The Mortgage Code Arbitration Scheme.
- 9.5 We will display a notice in a prominent position in all our branches stating which Ombudsman or arbitration scheme we belong to and that copies of the Code are available on request.
- 9.6 We will give you details about which Ombudsman or arbitration scheme is available to you. You can also get information by contacting the appropriate Ombudsman or arbitration scheme at the addresses listed below.

The Office of the Banking Ombudsman

South Quay Plaza
183 Marsh Wall
London E14 9SR
Tel: 020 7404 9944
Fax: 020 7405 5052
Website: www.obo.org.uk

The Office of the Building Societies Ombudsman

South Quay Plaza
183 Marsh Wall
London E14 9SR
Tel: 020 7931 0044
Fax: 020 7964 1000

The Mortgage Code Arbitration Scheme

International Arbitration Centre
12 Bloomsbury Square
London WC1A 2LP
Tel: 020 7421 7444

10. MONITORING & COMPLIANCE

Complying with the law and other codes

- 10.1 We will comply with the law and relevant codes of practice or similar documents which are followed by members of the Council of Mortgage Lenders. The main codes include:
- CML Statement of Practice on Handling Arrears and Possessions;
 - CML Statement of Practice on the Transfer of Mortgages;
 - BBA/BSA/APACS Code of Banking Practice;
 - Association of British Insurers General Business Code of Practice;

British Codes of Advertising and Sales Promotion;

Independent Television Commission Code of Advertising Practice;

Guide to Credit Scoring.

Compliance officer and internal audit

- 10.2 We have a ‘Code Compliance Officer’ and our internal auditing procedures monitor compliance with the Code.

Compliance by mortgage intermediaries

- 10.3 We will only accept business from mortgage intermediaries who are registered with the Mortgage Code Compliance Board and have thereby given an undertaking to comply with the Code. We are not responsible for mortgage intermediaries’ actions or advice, unless they are our appointed agent for mortgage business. Your mortgage intermediary should tell you if this is the case. Your mortgage intermediary will disclose to you whether it will receive a fee for arranging your mortgage. Before you take out your mortgage, we will tell you if your mortgage intermediary will receive a fee for arranging your mortgage. On request, we will confirm to you the amount.

Mortgage Code Compliance Board

- 10.4 The Code is monitored by the Mortgage Code Compliance Board, which is an independent non-profit-making company funded by registered firms. Its Board comprises representatives of lenders and intermediaries, together with a majority of public interest members. The address is:

The Mortgage Code Compliance Board

University Court

Stafford

ST18 0GN

Tel: 01785 218200

Complaints concerning the general operation of the Code can be made to them.

Statement of compliance

- 10.5 We complete a ‘Statement of Compliance’ every year which is signed by our Chief Executive and sent to the Mortgage Code Compliance Board.

PART 3: MORTGAGE INTERMEDIARIES ONLY

II. DISCLOSURE OF STATUS

Appointed agent status

- 11.1 At the outset, we will tell you if we are the appointed agent of a lender for mortgage business and therefore act on their behalf, in which case they are responsible for our actions and advice. Alternatively, at the outset, we will tell you that we act on your behalf.

Access to the market

- 11.2 We will explain whether we usually arrange mortgages from a selection of preferred lenders, based on our research of the market, or from the market as a whole. If a selection of lenders is used, we will give you details.

12. FEES AND CHARGES

Disclosure of fees

- 12.1 At the outset, we will tell you if we will receive a fee for arranging your mortgage. Before you take out a mortgage, we will tell you the amount of the fee in writing. If the fee is less than £250, we will confirm that we will receive up to this amount. If the fee is £250 or more, we will tell you the exact amount.

Other services

- 12.2 We will tell you the charges for any other service or product before or when it is provided or at any time you ask.

13. TERMS AND CONDITIONS

- 13.1 All written terms and conditions will be fair in substance and will set out your rights and responsibilities clearly and in plain language, with legal and technical language used only where necessary.

14. CONFIDENTIALITY

Duty of privacy

- 14.1 We will treat all your personal information as private and confidential (even when you are no longer a customer), except where disclosure is made at your request or with your consent in relation to arranging your mortgage.

Data protection access

- 14.2 We will explain that you have a right of access under the Data Protection Act 1998 to your personal records held on our files.

15. COMPLAINTS

Internal complaints procedure

- 15.1 We have internal procedures for handling complaints fairly and speedily and we will tell you what these are. These will include establishing a set time for an initial acknowledgement to your complaint. We will tell you how long it might take us to respond more fully.

Making complaints

- 15.2 If you wish to make a complaint, we will tell you how to do so and what to do if you are not happy about the outcome. We will help you with any queries.

Arbitration

- 15.3 Where applicable, we will display a notice in a prominent position in all our branches stating that we belong to the Mortgage Code Arbitration Scheme and that copies of the Code are available on request. The arbitrators are available to resolve certain complaints made by you if the matter remains unresolved through our internal complaints procedure. The address of the Scheme is:

The Mortgage Code Arbitration Scheme

International Arbitration Centre

12 Bloomsbury Square

London WC1A 2LP

Tel: 020 7421 7444

16. MONITORING AND COMPLIANCE

Compliance officer and internal audit

- 16.1 We have a 'Code compliance officer' and our internal auditing procedures will include monitoring compliance with the Code.

- 16.2 The Code is monitored by the Mortgage Code Compliance Board, which is an independent non-profit-making company funded by registered firms. Its Board comprises representatives of lenders and intermediaries, together with a majority of public interest members. The address is:

The Mortgage Code Compliance Board

University Court
Stafford
ST18 0GN

Tel: 01785 218200

Complaints concerning the general operation of the Code can be made to them. The Mortgage Code Compliance Board also keeps a list of mortgage intermediaries which have undertaken to comply with the Code.

PART 4

HELP SECTION

What Loans does this Code Apply to?

This Code applies to all loans (not overdrafts) secured on the home which you, as a personal customer, own and occupy, unless the loan is governed by the Consumer Credit Act 1974 (when the provisions and protections of that Act apply to your loan). The Code does not apply to the selling of investments which are covered by the Financial Services Act 1986.

Sponsoring Association

Enquiries about the Code and requests for copies of it can be addressed to the Council of Mortgage

Lenders or the Mortgage Code Compliance Board, whose addresses and telephone numbers are shown inside the front cover of this booklet.

Copies of the Code

All subscribers to the Code will make copies of it available to customers.

Copies of the Code of Banking Practice are available from the British Bankers' Association, Pinners Hall, 105-108 Old Broad Street, London EC2N 1EX, Tel: 020 7216 8800.

Additional Information

Additional information on a variety of mortgage matters is available in the form of 'Factsheets' available from The Council of Mortgage Lenders. In addition the CML operates a recorded customer information line, the number of which appears inside the front cover of this booklet.

USEFUL DEFINITIONS

These definitions explain the meaning of words and terms used in the Code. They are not precise legal or technical definitions.

Credit Reference Agencies

Organisations, licensed under the Consumer Credit Act 1974, which hold information about individuals which is of relevance to lenders. Lenders may refer to these agencies to assist with various decisions, eg whether or not to provide a loan. Lenders may give information to or seek information from these agencies.

Credit Scoring

This is a system which lenders use to assist in making decisions about granting consumer credit. Credit scoring uses statistical techniques to mea-

sure the likelihood that an application for credit will be a good credit risk.

Guarantee

An undertaking given by a person called the guarantor promising to pay the debts of another if that other person fails to do so.

Mortgage Intermediary

An individual, firm or organisation which helps customers to choose a mortgage and introduces mortgage applications to lenders. Mortgage intermediaries include, for example, estate agents, mortgage brokers, independent financial advisers, solicitors, accountants and life assurance companies.

Personal Customer

A private individual who maintains an account (including a joint account with another private individual, but excluding the accounts of sole traders, partnerships, companies, clubs and societies) or who receives other services from a lender.

Security

A word used to describe items of value such as title deeds to houses, share certificates, life policies etc which represent assets used as support for a loan. Under a secured loan the lender has the right to sell the security if the loan is not repaid.

Tariff

A list of charges for services provided by a lender.