

Non-Conforming Mortgages Mystery Shop

Introduction

The FSA requires all regulated firms to treat customers fairly (TCF) and with integrity, disclosing clear useful information about products and services to enable consumers to see what they are being offered. Consumers are expected to make decisions and take responsibility for them, but firms must enable them to have the understanding and information to make good decisions and to be able to question the information they are given. In its July 2004 document 'Treating Customers Fairly – Progress and Next Steps' the FSA notes that 'the incentive structure for firms to treat their customers fairly has not always been robust enough to deter all firms from inadvertently or deliberately taking advantage of the relative weakness of the financial services consumer.' With particular reference to the mortgage market, the FSA does not consider it fair treatment to 'put unfair pressure on consumers to sign up to a deal, for example by checking their credit history while they are still shopping around'. (FSA: 'TCF - Building on Progress' July 2005).

The Aim of the Mystery Shop

Eighteen months after the mortgage industry became subject to regulation, The Mortgage Champion commissioned The Wriglesworth Consultancy to undertake a mystery shopping exercise to investigate how a customer with a poor credit record seeking to remortgage his home would be treated by a range of mortgage brokers. Each broker was contacted a second time as a customer with the same financial commitments, but who was being threatened with a potential repossession and who therefore needed to remortgage urgently (see appendix for full methodology). The aim of the shopping exercise was to examine how well brokers are matching up to FSA guidelines: how fairly brokers treat their different customers, how transparent they are about the way they do business and about their fees and how readily they responded to customers' questions and provided information.

Summary

Shopping Around

- Generally not easy
- Time consuming
- Pressure to do credit checks was a common problem
- Customer instantly propelled into a full sales process

Information

- Relevant, useful information was often not forthcoming (eg on fees)
- Often difficult to get questions answered – customer had to push hard
- Hard to compare the actual mortgage products themselves as fees were bundled in to monthly payments in the vast majority of cases

Transparency

- Generally disappointing

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

- Fees were often inconsistently levied to the two different customers – sometimes higher, sometimes lower
- The basis for calculating fees was unclear. Only vague information given

The best brokers exhibited the following characteristics

- Low, transparent fees
- Clear provision of information and open approach to answering questions
- Concern for the customer’s circumstances, rather than ploughing ahead with the sales process – was consolidating debt necessarily the right choice?
- Highlighting that interest-only mortgages still needed to be paid back at some point

Overall Performance Ranking

| Rank | Company |
|------|-----------------------|
| 1 | Charcol |
| 2= | Mortgage Sense |
| 2= | Weaver Finance |
| 4 | Ocean Finance |
| 5 | Mortgage Nation |
| 6 | APS |
| 7 | Porchester Finance |
| 8= | The Mortgage Lender |
| 8= | Earth |
| 10 | Iron Market Mortgages |

* The Mortgage Champion, which commissioned the research, scored an equal rank with Charcol, but as the sponsor, has been omitted from the rankings table. The mystery shopper was not aware of the identity of the sponsor.

Conclusions

The general impression given to the customer was that the non-conforming sector was a harder market to provide with mortgages and that it may be difficult to help these customers. This was one of the reasons used to justify the high fees. Customers in the non-conforming sector may often be more vulnerable than prime customers; an impaired credit record can cover a multitude of circumstances so it is impossible for such a customer to benchmark himself in comparison to others and determine whether or not he is being treated fairly. There is, however, no material difference for the industry in the way they process mortgage applications or in the costs they incur in so doing for the prime and sub-prime sectors. Although the FSA does not discourage the charging of fees, it does say that they should not be excessive, and that the customer must make sure that he understands the charges involved, especially if he may not be able to keep up with the payments. In this mystery shopping exercise, given how variable the fees were, how inconsistently they are applied by a significant proportion of the sample, and how hard it was for the customer to elicit firm information on fees, it is clear that a number of firms are not treating their customers fairly in this regard.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The customers' experience varied widely between brokers. Generally, it was very difficult for to shop around as many of the brokers involved the customer in a long-winded sales process before getting close to providing indicative quote information. This sales imperative sits uncomfortably with the principle of TCF. A frequent requirement for credit checks to be performed before any mortgage quotes could be given put the customer in a difficult position: either he could accept this condition and suffer the negative consequences for his credit record of multiple checks, or he would not get the information he needed to make an informed decision. Calls on average took 23 minutes, and in many cases still did not yield details of mortgages that might be possible. The longest call took 41 minutes. In a number of cases, there were a lot of very detailed questions upfront on the construction of the customer's home and security arrangements which slowed the calls down and raised the suspicion that they were as much about selling insurance and other policies later on.

Observations on the best and poorest performers

The ranking table is a good measure of relative performance, but those near the top are not necessarily to be applauded. Charcol and The Mortgage Champion performed best overall and genuinely did seem to offer a good service, fairly treating their potential customers. Mortgage Sense came next with Weaver, but even then, the exercise exposed weaknesses. For example, Mortgage Sense scored well for checking carefully that the customer had thought through that what he was doing was most appropriate for his circumstances. However, its score was pulled down by the fact that it treated the two customers differently, levying higher fees in the second case and being unable to provide any explanation of the basis for charging.

Charcol provides an excellent value advice service, only charging a small flat fee but using the widest panel of lenders in the sample. Charcol took care to make sure that products would be suitable for the customer and was also able to answer questions promptly.

The Mortgage Champion gives an information-only service but charges no fees. It has a limited lender panel, but was able to give indicative quotes promptly to make it easier for the customer to shop around.

Both companies treat different customers the same and overall both best met the FSA criteria of TCF and provision of clear transparent information.

Iron Market Mortgages came bottom overall. They were extremely evasive on fees, even suggesting at one point that FSA regulation meant that they could not provide this information without sending out an adviser to the customer's home. The approach was a 'hard sell' one; getting a salesman physically in front of the customer was clearly the aim of the call centre. They also suggested that fees when levied did not really affect the customer. 'You don't pay anything, it's added to your mortgage.'

The Mortgage Lender came joint second from bottom along with Earth Mortgages. This broker quickly pushed the customer towards self certification mortgages. "Can you prove a total income of £45,000, yes or no? Don't worry if it's a 'no' ". Given the poor financial position of the borrower, it was inappropriate to tempt him into a potentially unaffordable mortgage.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Earth Mortgages insisted that a credit check would be essential before the call could proceed at all and when challenged the consultant said that this was for 'compliance reasons'. A second consultant suggested that FSA regulation formed the basis for the calculation of their fees. 'I think we're regulated by the FSA and I think it's to do with them about how much we charge a customer for our services.'

Finally, the customer specifically said that he did not wish to be called in future, but he received two subsequent calls, one from the mortgage department and one from the personal loans department who continued to try to sell products.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

APS

| Category | Answer | Ease of Obtaining Information | Comment |
|--|------------------|-------------------------------|--|
| Advice or Information only | Information only | 1 | Clearly set out early on |
| Number of mortgage companies used | 3 | 3 | Had to be asked for information |
| Identity of mortgage companies used | Yes | 4 | Gave information after repeated requests for it |
| Broker fee | £2995 | 3 | Set fee. Told that monthly payment included all fees. Had to ask to get breakdown. |
| Information on how broker fee calculated | None | 5 | Broker fee was for 'service'. Not transparent. |
| Lender arrangement fee | Y | 3 | Told that monthly payment included all fees. Had to ask to get breakdown. |
| Legal fee | N | 3 | Included in fees |
| Valuation fee | Y | 3 | Told that monthly payment included all fees. Had to ask to get breakdown. |
| Mortgage interest rate | Y | 3 | |
| Monthly payment | Y | 1 | Just given as one monthly payment (ie including all fees). Not transparent. |
| Total cost of loan | N | 5 | Consultant did not know what this was. Only told me amount of loan. |
| Other procedures eg credit check, references | Y | 4 | Credit check, mortgage reference, employer reference |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Below average | Aimed to help, but high fees and limited panel options left customer with high cost mortgage. No obligation to buy insurance |
| Transparency of information given | Average | Much basic information had to be requested. Monthly payment included fee. |
| Not avoiding questions | Below Average | Did avoid questions eg on references cost of loan |

On returning as a desperate caller being threatened with a repossession process, the broker fee was still quoted as £2995, although the fees associated with the actual product were higher, as might be expected from a more difficult credit position.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Weaver Finance

| Category | Answer | Ease of Obtaining Information | Comment |
|--|---------------|-------------------------------|--|
| Advice or Information only | Advice | 2 | Had to be asked for information |
| Number of mortgage companies used | 2 | 3 | |
| Identity of mortgage companies used | Y (partially) | 4 | Could arrange to send me a list |
| Broker fee | £3000 | 3 | Possibly negotiable. |
| Information on how broker fee calculated | N | 5 | Includes legal, valuation, admin. Not transparent. |
| Lender arrangement fee | £700 | 4 | Customer had to ask if this also applied |
| Legal fee | N | n/a | Included in the broker fee; Broker fee negotiable if I use my own solicitor |
| Valuation fee | N | n/a | Included in the broker fee |
| Mortgage interest rate | Y | 2 | |
| Monthly payment | Y | 2 | Just given as one monthly payment (ie including all fees). Not transparent. |
| Total cost of loan | Y (partially) | 4 | Consultant knew what this was but needed to produce an illustration and e-mail it. |
| Other procedures eg credit check, references | Y | 3 | Credit check |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Average | Aimed to help and came up with good value mortgage options. Unclear fee structure: the fact that it is 'negotiable' suggests that it is whatever the customer will bear. |
| Transparency of information given | Average | Generally forthcoming on information. Broker fee calculation unclear. Monthly payment included fee. |
| Not avoiding questions | Above Average | Generally attempted to answer all questions |

On returning as a desperate caller being threatened with a repossession process, there was no difference on the fees. They were still £3000, but given the customer's arrears situation, the maximum LTV was lower and the rates quotes much poorer. The consultant did not volunteer that the fees may be negotiable.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The Mortgage Lender

| Category | Answer | Ease of Obtaining Information | Comment |
|--|---------------|-------------------------------|---|
| Advice or Information only | Information | 1 | Very clear |
| Number of mortgage companies used | 1 | 1 | Very clear |
| Identity of mortgage companies used | Y (partially) | 1 | Suggested in recorded message and given clearly by consultant. It later transpired 2 other lenders were possible too. |
| Broker fee | £2820 | 4 | Repeatedly requested |
| Information on how broker fee calculated | N | 5 | Avoided answering question |
| Lender arrangement fee | Y | 4 | |
| Legal fee | Y | 4 | |
| Valuation fee | N | 4 | Included in broker fee |
| Mortgage interest rate | Y | 3 | |
| Monthly payment | Y | 2 | Just given as one monthly payment (ie including all fees). Not transparent. |
| Total cost of loan | Y | 3 | Gave the figure on request |
| Other procedures eg credit check, references | Y | 4 | Credit check. No need for other references |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Below Average | Noted some of the downsides of consolidating debt. But did push customer towards self-cert and hinted that customer might find other income he could self-certify. This brings the overall rating down. Differential pricing undermines the sense of fair treatment. |
| Transparency of information given | Below Average | Once pushed, most information was forthcoming. Information on composition of broker fee was unclear. Monthly payment included fee. |
| Not avoiding questions | Poor | Difficult to elicit information on fees. Had to ask repeatedly. |

On returning as a desperate caller being threatened with a repossession process, the broker fee was quoted as a lower £2395 and was given freely on request, unlike the previous call.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The operator pointed out this was the lowest she was allowed to do as the fee was normally 2%. This operator seemed prepared to treat this customer more kindly given his difficult financial circumstances. However, the fact that fees vary from call to call does highlight the lack of transparency in the way they are levied.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Mortgage Sense

| Category | Answer | Ease of Obtaining Information | Comment |
|--|----------|-------------------------------|---|
| Advice or Information only | Advice | 3 | It was quite late that this information was given |
| Number of mortgage companies used | 6 | 3 | |
| Identity of mortgage companies used | Y | 3 | Gave all six over the phone |
| Broker fee | £1495 | 3 | Set fee. Told fees before given any mortgage quotes |
| Information on how broker fee calculated | N | 5 | To cover admin and processing |
| Lender arrangement fee | £495-695 | 3 | Depending on lender |
| Legal fee | Y | 3 | Need to use their solicitor, but if customer insists, may be able to use own solicitor. |
| Valuation fee | Y | 3 | Depends on lender. May be zero |
| Mortgage interest rate | Y | 3 | |
| Monthly payment | Y | 3 | |
| Total cost of loan | n/a | n/a | |
| Other procedures eg credit check, references | Y | 1 | Credit check |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Average | Checked carefully what the customer wanted the money for and highlighted that an interest only mortgage needs to be paid back. Warned clearly of risks of moving unsecured credit card debt on to mortgage. Took care to make sure customer's needs were being served. The change in treatment from one customer in discussing fees pulled their score down. Repeatedly pushed for a credit check before giving much information. |
| Transparency of information given | Average | Generally trying to be helpful and open, but basis of broker fee remains unclear and monthly payments include fee. |
| Not avoiding questions | Above Average | Generally tried to answer questions, make suggestions and give information. |

On returning as a desperate caller being threatened with a repossession process, the fees quoted were 1.5% (£2325) and not a set fee of £1495 as the first customer had been told.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The consultant did, however, say that there was flexibility to negotiate fees. He also pointed out to the customer that Mortgage Sense charged 'not uncompetitive fees' relative to the much of the competition and that they 'did need to make their money'.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Ocean Finance

| Category | Answer | Ease of Obtaining Information | Comment |
|--|------------|-------------------------------|--|
| Advice or Information only | Advice | 2 | |
| Number of mortgage companies used | N | 4 | Offered to send customer a list, but did not give me the number |
| Identity of mortgage companies used | Y | 4 | Could send customer a list |
| Broker fee | 2% (£3080) | 2 | Offered freely |
| Information on how broker fee calculated | N | 5 | Customer told this was a standard fee for the process but gave no more information |
| Lender arrangement fee | Y | n/a | Call terminated before this point |
| Legal fee | N | 2 | Included in the broker fee |
| Valuation fee | N | 2 | Included in the broker fee |
| Mortgage interest rate | n/a | n/a | Call terminated before this point |
| Monthly payment | n/a | n/a | Call terminated before this point |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | Y | 3 | Credit check, land registry |

| | | |
|-----------------------------------|---------|---|
| Treating customer fairly | Average | Insisted on doing a credit check before proceeding. The consultant did say that they needed to be sure to try and find a product that would suit the customer's needs which was a plus. Fees were fairly high, however. |
| Transparency of information given | Average | Transparency on fees was not good. The call did not proceed to product stage. |
| Not avoiding questions | Average | No obvious avoidance tactics, but customer did have to be persistent with some questions. |

On returning as a desperate caller being threatened with a repossession process, there was no difference in the fee quoted. The consultant was polite and understanding, tried to be helpful, and appeared to take account of the customer's predicament.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The Mortgage Champion

| Category | Answer | Ease of Obtaining Information | Comment |
|--|------------------|-------------------------------|---|
| Advice or Information only | Information only | 1 | Upfront in recorded introduction |
| Number of mortgage companies used | 3 | 3 | Ready to give when asked. |
| Identity of mortgage companies used | Y | 3 | Listed by consultant |
| Broker fee | N | 1 | Upfront in recorded introduction |
| Information on how broker fee calculated | n/a | n/a | No fees. Upfront in recorded introduction |
| Lender arrangement fee | Y | 2 | Provided by consultant |
| Legal fee | N | 1 | No fees. Upfront in recorded introduction |
| Valuation fee | N | 1 | No fees. Upfront in recorded introduction |
| Mortgage interest rate | Y | 1 | Given straight away |
| Monthly payment | Y | 3 | Ready to give when asked. |
| Total cost of loan | N | 5 | Would have to produce a KFI which would require a credit check. |
| Other procedures eg credit check, references | Y | 4 | Credit check required. Consultant needed to look into whether other references would be required. |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Good | Zero fee deal made this the most customer-friendly mortgage company. |
| Transparency of information given | Above Average | Generally good. Clear information on products. However, the first person who handled the call had to ask which number the customer had called, suggesting the call centre handled different types of caller. This caused some confusion and made a less professional impression. Consultant did not offer information about what the monthly payments would be, although this could be provided if requested. |
| Not avoiding questions | Above Average | No obvious avoidance tactics. |

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

The Mortgage Champion does not charge fees and this is disclosed upfront in a recorded message. As a result no second call was made to determine whether the fee treatment differed.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Porchester Finance

| Category | Answer | Ease of Obtaining Information | Comment |
|--|-----------|-------------------------------|--|
| Advice or Information only | Not known | 5 | Consultant did not offer any of this information. Rapid questioning made it hard to ask. |
| Number of mortgage companies used | n/a | | Call terminated before this information could be elicited |
| Identity of mortgage companies used | n/a | | Call terminated before this information could be elicited |
| Broker fee | £1500 | 3 | Given on request |
| Information on how broker fee calculated | N | 5 | Flat fee. No more information given |
| Lender arrangement fee | Y | 3 | Depending on lender |
| Legal fee | Y | 3 | Consultant said this would be included in the lender fee. |
| Valuation fee | N | | Included in broker fee |
| Mortgage interest rate | n/a | n/a | Call terminated before this point |
| Monthly payment | n/a | n/a | Consultant said she would give the monthly payment including fees. |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | Y | 2 | Did not proceed with call without doing credit check. |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Below average | Consultant bombarded customer with questions in a rather curt way and got frustrated with customer when he fumbled for information or appeared ignorant. No quotations available without doing a credit check. Intimidating. |
| Transparency of information given | Below average | Firing questions made it difficult to get information clearly. Significant lack of clarity over how fees were paid and when did not give impression of transparency. |
| Not avoiding questions | Below average | Consultant implied that the fees were not actually paid by the customer. She meant that they were added to the loan but did not say this explicitly. |

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

On returning as a desperate caller being threatened with a repossession process, the same operator said some brokers charge up to 10% when fees were discussed. She said she would need to look into the customer's case more carefully, but said that the fee would be about £2,000 (£500 more than the 'flat fee' she had quoted to the previous customer). She did say that was negotiable, however.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Iron Market Mortgages

| Category | Answer | Ease of Obtaining Information | Comment |
|--|---------------|-------------------------------|---|
| Advice or Information only | Unknown | 5 | Question not answered, although customer did not pursue question |
| Number of mortgage companies used | Unknown | 5 | Consultant left it rather vague |
| Identity of mortgage companies used | Y (partially) | 4 | Consultant said customer could ask the salesman who visits me which lenders there are but named 2 companies. |
| Broker fee | over £1000 | 5 | Consultant said it depends on personal circumstances and could be more than this amount (would depend on credit record) |
| Information on how broker fee calculated | N | 5 | No information given |
| Lender arrangement fee | Unknown | 3 | Consultant avoided the question on whether this was part of the broker fee or levied on top. |
| Legal fee | N | 3 | Included in broker fee |
| Valuation fee | N | 3 | Included in broker fee |
| Mortgage interest rate | n/a | n/a | Call terminated before this point |
| Monthly payment | n/a | n/a | Call terminated before this point |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | Y | 4 | Land registry and credit check. Also would want employer reference. |

| | | |
|-----------------------------------|------|--|
| Treating customer fairly | Poor | Customer left very unclear on where he stood. Consultant rather unfriendly with first customer. The fact that the fees seemed to be higher for someone in the second customer's position demonstrated that this broker treats its customers very differently. Customer felt pressurized. |
| Transparency of information given | Poor | Least transparent on fees and unwilling to provide information on lenders. Did not say whether advising or information only. |
| Not avoiding questions | Poor | Rather evasive manner when answering questions. Would not provide figures over the phone. |

On returning as a desperate caller being threatened with a repossession process, the caller had to push very hard to get any information on fees at all. Eventually and after discussion with a colleague, the consultant said it would be around £3000 for someone in the customer's circumstances but that there was room for negotiation. He repeated that the customer did not

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

pay the fee but that it was added to the loan amount!

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Earth Mortgages

| Category | Answer | Ease of Obtaining Information | Comment |
|--|----------------------|-------------------------------|---|
| Advice or Information only | Unclear | 3 | Need to speak to sourcing team |
| Number of mortgage companies used | Y | 3 | Operator was unsure how many it was |
| Identity of mortgage companies used | Y | 4 | Named a couple, but was unsure and suggested I look at the website where there might be more information. |
| Broker fee | 4% (capped at £5000) | 3 | Highest of all the companies called. However, it subsequently turned out to be highly negotiable. |
| Information on how broker fee calculated | 5 | 5 | Operator did not have any information or explanation and seemed to invent reasons on the hoof, even suggesting that FSA regulation led them to these charges. |
| Lender arrangement fee | Y | 3 | Provided on request |
| Legal fee | Y | 3 | Provided on request |
| Valuation fee | Y | 3 | Provided on request |
| Mortgage interest rate | Y | 3 | Provided on request |
| Monthly payment | Y | 2 | Given as a single payment including fees |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | | | Credit check required before could confirm product would actually be available. |

| | | |
|-----------------------------------|---------------|---|
| Treating customer fairly | Poor | First caller was told that a credit check was essential for 'compliance reasons' before providing any information, but the second caller did not get told this. Levied highest fee in the sample, although second caller was told it could be discounted to £0. Different customers being treated very differently. |
| Transparency of information given | Below average | Very little information was forthcoming without a credit check for the first caller. The inability to explain the fees and the apparent invention of reasons left a poor impression. The second caller found information more forthcoming. |
| Not avoiding questions | Below | Operators attempted to answer some questions, but |

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

| | | |
|--|---------|---|
| | Average | simply blamed regulatory compliance as the explanation on credit checks and fees. |
|--|---------|---|

Earth Mortgages (cont)

On returning as a desperate caller being threatened with a repossession process, the consultant discounted the fees to £0 when it became clear he might lose the customer due to the high cost of fees. This highlighted the lack of transparency in the fee structure and showed up how differently customers are treated.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Charcol

| Category | Answer | Ease of Obtaining Information | Comment |
|--|--------------------|-------------------------------|---|
| Advice or Information only | Advice | 3 | Consultant seemed to take it for granted customer would know this information. |
| Number of mortgage companies used | 39 | 3 | |
| Identity of mortgage companies used | Y | 3 | Consultant happy to e-mail it straight away |
| Broker fee | £199 | 2 | |
| Information on how broker fee calculated | N | 4 | No information given on how the fee is calculated, but it is low compared to the market |
| Lender arrangement fee | Y | n/a | Call terminated before we reached a discussion on specifics |
| Legal fee | Depends on product | n/a | Call terminated before this point |
| Valuation fee | Depends on product | n/a | Call terminated before this point |
| Mortgage interest rate | n/a | n/a | Call terminated before this point |
| Monthly payment | n/a | n/a | Call terminated before this point |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | n/a | n/a | Call terminated before this point |

| | | |
|-----------------------------------|---------------|--|
| Treating customer fairly | Good | Fee was far lower than the market and not differentiated for credit adverse v good credit customers, or for the desperate customer facing repossession. Consultant concerned about affordability for customer. Showed concern about repaying principal (as interest only mortgage was requested) |
| Transparency of information given | Above Average | Consultants open and honest with customer, although they did need to be asked for several pieces of information. The consultant pointed out early on that he would make all information on the varying fees clear when we got to the product phase (but the broker fee was a flat £199) |
| Not avoiding questions | Above Average | No obvious avoidance tactics |

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

On returning as a desperate caller being threatened with a repossession process, there was no difference in the fees quoted. It would still be a flat fee of £199, very low compared to others in the sample.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

Mortgage Nation

| Category | Answer | Ease of Obtaining Information | Comment |
|--|---|-------------------------------|---|
| Advice or Information only | Information only | 1 | Given very early on in a disclosure statement |
| Number of mortgage companies used | Not given | 5 | Rather vague answer |
| Identity of mortgage companies used | N | 4 | Said would be able to send me a list but would not give information over the phone. |
| Broker fee | 2% of loan ('around £2,500 in this case') | 3 | The consultant said there are 'certain minimums and maximums' |
| Information on how broker fee calculated | N | 5 | No information forthcoming |
| Lender arrangement fee | Would depend on product | n/a | Call terminated before actual product was found. |
| Legal fee | Would depend on product | n/a | Allowed customer flexibility on using solicitors. |
| Valuation fee | Gave guidelines | 3 | |
| Mortgage interest rate | n/a | n/a | Call terminated before this point |
| Monthly payment | n/a | n/a | Call terminated before this point |
| Total cost of loan | n/a | n/a | Call terminated before this point |
| Other procedures eg credit check, references | n/a | n/a | Call terminated before this point |

| | | |
|-----------------------------------|---------------|---|
| Treating customer fairly | Below average | High fees. Consultant became a bit abrupt with customer as his poor credit record meant it would be hard to find a good deal. |
| Transparency of information given | Average | Generally tried to be helpful, but lack of detail on fees and lender panel. This was the only company who admitted that they also got paid by the lender. |
| Not avoiding questions | Average | Vague in responding to some questions. |

On returning as a desperate caller being threatened with a repossession process, the consultant said that the fee Mortgage Nation charged would depend on the product. The consultant explained that Mortgage Nation receives commission from the lenders and that Mortgage Nation then levied a further fee on top to bring it up to a certain minimum amount of revenue for them. The fee could therefore be very low or very high.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk

APPENDIX

Methodology

The Wriglesworth Consultancy (TWC) telephoned all the companies in the report in March 2006 posing as a homeowner with a poor credit record and large outstanding credit card balances. The customer wished to remortgage his home and borrow enough extra money to repay his credit cards. The home was worth around £180,000, the outstanding mortgage was £136,000 and the credit card debts totalled £17,500. The customer wanted an interest-only mortgage. There were no other borrowings. The person undertaking the calls was not aware of the identity of the sponsor.

The brokers selected were those advertising most visibly in the press, and on the television and internet in a given period.

The report records how easy it was for the customer to obtain each piece of information. The scores 1-5 were rated as follows:

| Score | Meaning |
|-------|---|
| 1 | Information offered freely and upfront |
| 2 | Information offered freely, but not necessarily straight away |
| 3 | Information provided promptly in answer to question from the customer |
| 4 | Repeated questioning required to elicit the information |
| 5 | Information was not provided |

TWC called a second time, posing as a customer with similar financial circumstances. This time, however, the customer was being threatened with the repossession of his home and had missed several mortgage payments in the previous 12 months. The objective of this second call was to discover if this customer was treated differently.

TWC then rated the overall performance of each company in three categories – Treating the Customer Fairly, Transparency, Not Avoiding Questions. Companies were rated Good, Above Average, Average, Below Average and Poor.

This overall performance rating was used to determine the rankings.

The rankings are determined by TWC's subjective evaluation of the performance of individuals in each organisation and as such may not be representative of the overall company.

© George Berkeley Public Relations Ltd.

For further information please contact:

Adrian Lithgow

George Berkeley Public Relations Ltd. 1, Berkeley Street, Mayfair, LONDON W1J 8DJ

Tel: 020 7016 9858 Mob: 0776 4194719

Email: al@georgeberkeley.co.uk www.georgeberkeley.co.uk