

# FSA Mortgage Market Review: Irresponsible Lending

## The Financial Services Authority issues consultation paper

▪ Ian Norman, 26 July 2010

### ▪ Link between mortgage affordability and mortgage arrears to be addressed

The Financial Services Authority (FSA) has recently issued its consultation paper entitled 'Mortgage Market Review: Irresponsible Lending and numbered 10/16. It aims to make mortgage lenders responsible for assessing whether or not consumers can afford a mortgage based upon certain criteria, in order to try and address the link between overstretch in terms of affordability and mortgage arrears and repossession.

The proposed rule changes cover a number of topics, in particular:

- Affordability assessments;
- Product regulation;
- Arrears charges; and
- Responsible borrowing/better informed purchasing.

The tough new proposals indicate the FSA's desire to prevent issues that have arisen in recent years from happening again and to strike "*further up the value chain*". Lesley Titcomb, the FSA Director responsible for the mortgage market said:

*"While it is clear the mortgage market has worked well for many, we need to build a strong new framework to protect mortgage customers and to ensure that the problems we have seen in the past do not happen again, particularly as the mortgage market recovers."*

Annex 4 of the consultation contains a list of questions for stakeholders in the industry. The FSA has invited responses to the consultation up until **16 November 2010** although be warned the deadline for responses to certain questions in the consultation paper is **30 September 2010**.

For more information on the consultation and for a copy of the document itself, click on the following link:

<http://bit.ly/cKtfHu>

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