Mortgages and Home Finance: Conduct of Business Sourcebook

Chapter 2

Conduct of business standards: general
## 2.1 Application

### Who?

2.1.1 This chapter applies to a **firm** in a category listed in column (1) of the table in MCOB 2.1.2 R in accordance with column (2) of that table.

2.1.2 This table belongs to MCOB 2.1.1 R

<table>
<thead>
<tr>
<th>(1) Category of firm</th>
<th>(2) Applicable section</th>
</tr>
</thead>
<tbody>
<tr>
<td>mortgage lender</td>
<td>whole chapter except MCOB 2.6A.1 R to MCOB 2.6A.18 G and MCOB 2.8.6 G</td>
</tr>
<tr>
<td>mortgage administrator</td>
<td>As for a mortgage lender, except that MCOB 2.6A.1 R does not apply.</td>
</tr>
<tr>
<td>mortgage adviser</td>
<td></td>
</tr>
<tr>
<td>mortgage arranger</td>
<td></td>
</tr>
<tr>
<td>home purchase provider</td>
<td>MCOB 2.1, MCOB 2.5 to MCOB 2.6, MCOB 2.6A.1 R to MCOB 2.6A.4 G, MCOB 2.6A.7 G to MCOB 2.6A.10 G, MCOB 2.7.4 R to MCOB 2.7.6 R, MCOB 2.7A, MCOB 2.8.6 G and MCOB 2.9</td>
</tr>
<tr>
<td>home purchase administrator</td>
<td>As for a home purchase provider but MCOB 2.6A.1 R to MCOB 2.6A.4 G and MCOB 2.6A.7 G do not apply</td>
</tr>
<tr>
<td>home purchase adviser</td>
<td>As for a home purchase provider but MCOB 2.6A does not apply</td>
</tr>
<tr>
<td>home purchase arranger</td>
<td></td>
</tr>
<tr>
<td>reversion provider</td>
<td>whole chapter except MCOB 2.6A.7 G, MCOB 2.7.4 R to MCOB 2.7.6 R and MCOB 2.8.6 G</td>
</tr>
<tr>
<td>reversion administrator</td>
<td>As for a reversion provider but the relevant provisions of MCOB 2.6A apply only when arranging for a home reversion plan to be entered into by a reversion occupier with, or administering a home reversion plan provided by, an unauthorised reversion provider.</td>
</tr>
<tr>
<td>reversion arranger</td>
<td></td>
</tr>
<tr>
<td>reversion adviser</td>
<td>As for a reversion provider but MCOB 2.6A does not apply</td>
</tr>
<tr>
<td>SRB administrator</td>
<td>MCOB 2.1, MCOB 2.5 to</td>
</tr>
<tr>
<td>(1) Category of firm</td>
<td>(2) Applicable section</td>
</tr>
<tr>
<td>---------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
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<tr>
<td></td>
<td>MCOB 2.6, MCOB 2.6A.5BR (5), MCOB 2.6A.8 R to MCOB 2.6A.11 G, MCOB 2.6A.17A R, MCOB 2.6A.17A R, MCOB 2.6A.18 G, MCOB 2.7.1 G to MCOB 2.7.5 R, MCOB 2.7A, MCOB 2.8.1 G to MCOB 2.8.5 G and MCOB 2.9.</td>
</tr>
<tr>
<td>SRB adviser</td>
<td>Whole chapter except MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R and MCOB 2.8.6 G.</td>
</tr>
<tr>
<td>SRB agreement provider</td>
<td>Whole chapter except MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R, MCOB 2.6A.17A R, MCOB 2.6A.18 G and MCOB 2.8.6 G.</td>
</tr>
<tr>
<td>SRB arranger</td>
<td>Whole chapter except MCOB 2.6A.5 R, MCOB 2.6A.7 G, MCOB 2.6A.17 R and MCOB 2.8.6 G.</td>
</tr>
<tr>
<td>a firm that communicates or approves a financial promotion of qualifying credit or of a home reversion plan</td>
<td>MCOB 2.5, MCOB 2.6, MCOB 2.7 (except, when the financial promotion relates to a home reversion plan, MCOB 2.7.4 R to MCOB 2.7.6 R), MCOB 2.7A, MCOB 2.8 (except MCOB 2.8.6 G) and MCOB 2.9</td>
</tr>
<tr>
<td>a firm that communicates or approves a financial promotion of a home purchase plan</td>
<td>MCOB 2.5, MCOB 2.6, MCOB 2.7, MCOB 2.7A, MCOB 2.8.6 G and MCOB 2.9</td>
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</tbody>
</table>

**What?**

This chapter applies in relation to:

1. **home finance activities;**

1. **to the extent specified in MCOB 2.1.2 R, regulated sale and rent back activity;**

2. those activities in MCOB 12 and MCOB 13 that are carried on after a regulated mortgage contract or home purchase plan has come to an end following the sale of a repossessed property, and those activities in MCOB 12 that are carried on after a home reversion plan has ended for any reason; and

3. the communication or approval of a financial promotion of qualifying credit, of a home purchase plan, of a home reversion plan or of a regulated sale and rent back agreement.
A *payment shortfall* is defined in the *Handbook* as the total sum of periodic payments of capital or interest (or both) that have become due under the terms of a *regulated mortgage contract* but which, in breach of those terms, remains unpaid. For the purpose of that definition, capital includes any amounts rescheduled over the term of the loan. An amount that has been rescheduled for payment over the remaining term of the mortgage in accordance with the terms of the contract does not form part of a *payment shortfall*. If, following such rescheduling, the *customer* misses a recalculated periodic payment, the full amount of that missed payment becomes part of the *customer’s payment shortfall*. Such rescheduling may only be done in a way that is consistent with the *FCA’s rules*, including those in ▼ MCOB 13.
2.3 Inducements: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

Purpose

2.3.1 The purpose of MCOB 2.3 is to ensure, in accordance with Principles 1, 6 and 8, that a firm does not conduct business under arrangements that might give rise to a conflict with its duty to customers or to unfair treatment of them.

Prohibition of inducements

2.3.2 A firm must take reasonable steps to ensure that it, and any person acting on its behalf, does not:

1. offer, give, solicit or accept an inducement; or
2. direct or refer any actual or potential business in relation to a regulated mortgage contract, home reversion plan or regulated sale and rent back agreement to another person on its own initiative or on the instructions of an associate;

if it is likely to conflict to a material extent with any duty that the firm owes to its customers in connection with such a home finance transaction or any duty which such a recipient firm owes to its customers in connection with such a home finance transaction.

2.3.3 An inducement is a benefit offered with a view to bringing about a particular course of action.

2.3.4 The purpose of MCOB 2.3.2 R(2) is to prevent the requirement in MCOB 2.3.2 R(1) being circumvented by an inducement being given or received by an unregulated associate. There may be circumstances, however, where a firm is able to demonstrate that it could not reasonably have knowledge of an associate giving or receiving an inducement. It should not, however, direct business to another person on the instruction of an associate if this is likely to conflict with the interests of its customers.

2.3.5 MCOB 2.3.2 R does not prevent a firm:

1. assisting a home finance intermediary so that the quality of the home finance intermediary's service to customers is enhanced; or
(2) giving or receiving indirect benefits (such as gifts, hospitality and promotional competition prizes);

providing in either case this is not likely to give rise to a conflict with the duties that the recipient owes to the customer. In particular, such benefits should not be of a kind or value that is likely to impair the ability of a firm to act in compliance with any rule in MCOB, for example the suitability requirements in § MCOB 4.7 (Advised sales).

2.3.6 R

(1) A firm must not operate a system of giving or offering inducements to a mortgage intermediary, reversion intermediary, SRB intermediary or any other third party whereby the value of the inducement increases if the intermediary or third party, such as a packager, exceeds a target set for the amount of business referred (for example, a volume override).

(2) A firm must not solicit or accept an inducement whereby the value of the inducement increases if the firm exceeds a target set for the amount of business referred.

Quantification of inducements

2.3.7 R

(1) A mortgage lender, reversion provider or SRB agreement provider must quantify, in cash terms, any material inducement it offers to a mortgage intermediary, reversion intermediary, SRB intermediary or a third party.

(2) In quantifying the value of the material inducement, the firm must include any subsequent payments (such as a trail fee) made where the customer continues with the same home finance transaction.

2.3.8 G

(1) Quantification of any material inducement offered by the mortgage lender or reversion provider supports the disclosure requirements elsewhere in MCOB. Further guidance on the disclosure of any inducement in cash terms is provided in § MCOB 5.6.118 G for regulated mortgage contracts other than lifetime mortgages, § MCOB 9.4.124 G for lifetime mortgages and § MCOB 9.4.173 G for home reversion plans.

(1A) Quantification of any material inducement offered by a SRB agreement provider in connection with the conclusion of a regulated sale and rent back agreement must be included in the disclosures made to the potential SRB agreement seller under § MCOB 5.9.1R (1A)(c).

(2) A payment made to a third party unconnected with the home finance intermediary, where that payment only reflects the cost of outsourcing work relating to the processing of mortgage applications, would not be considered an inducement for these purposes.
2.4 High pressure sales: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

Purpose

2.4.1 The purpose of this section is to remind firms of the relevance of the high level standards in PRIN, especially with regard to the use of sales methods that may lead a customer to feel pressurised to enter into, or vary, a regulated mortgage contract, home reversion plan or regulated sale and rent back agreement.

Fair treatment

2.4.2 (1) Principle 6 (Customers' interests) requires that a firm must pay due regard to the interests of its customers and treat them fairly. This means, for example, that a firm should avoid selling practices that commit customers (or lead customers to believe that they are committed) to any regulated mortgage contract or home reversion plan before they have been able to consider the illustration and offer document. One such practice might be to present a new customer with an illustration, offer document and mortgage deed at one time and to require the mortgage deed to be signed on the same occasion (when there is no urgent need to do so).

(2) For regulated sale and rent back agreements, the firm should avoid practices that commit customers (or lead customers to believe they are committed) to any such agreement before they have been able to consider the information that is required by MCOB 5.9.1 R (Pre-sale disclosure) and before the expiry of the 14 day cooling-off period as required by MCOB 6.9.4 R (Written pre-offer document: Stage One).

Information

2.4.3 Principle 7 (Communications with clients) requires that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading. This means, for example, that a firm should avoid giving any customer a false impression about the availability of a regulated mortgage contract, home reversion plan or regulated sale and rent back agreement, such as describing it as a 'special offer' not available after a certain date unless this is really the case.
2.5 Reliance on others

Purpose

2.5.1 Principle 2 requires a firm to conduct its business with due skill, care and diligence. MCOB 2.5 indicates the extent to which firms that carry on home finance activities and that communicate or approve a financial promotion can meet this requirement by relying on others.

When firms can rely on others

2.5.2 A firm will be taken to be in compliance with any rule in MCOB that requires a firm to obtain information to the extent that the firm can show that it was reasonable for it to rely on information provided to it by another person.

2.5.3 (1) In relying on MCOB 2.5.2 R, a firm should take reasonable steps to establish that the other person providing the information is:
   (a) not connected with the firm; and
   (b) competent to provide the information.

(2) Compliance with (1) may be relied on as tending to establish compliance with MCOB 2.5.2 R.

(3) Contravention of (1) may be relied on as tending to establish contravention of MCOB 2.5.2 R.

2.5.4 (1) Any information which a rule in MCOB requires to be sent to a customer may be sent to another person on the instruction of the customer, so long as the recipient is not connected with the firm.

(2) There is no need for a firm to send information to a customer where it has taken reasonable steps to establish that this has been or will be supplied by another person.
2.5A The customer's best interests

2.5A.1 A firm must act honestly, fairly and professionally in accordance with the best interests of its customer.

[Note: article 7(1) of the MCD]
2.6 Exclusion of liability

Purpose

2.6.1 **G** Principle 6 (Customers’ interests) requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. A *firm* may not exclude the duties it owes or the liabilities it has to a *customer* under the regulatory system. It may exclude other duties and liabilities only if it is reasonable for it to do so.

Limits on the exclusion of liability

2.6.2 **R** A *firm* must not, in any written or oral communication, seek to exclude or restrict, or to rely on any exclusion or restriction of, any duty or liability it may have to a *customer* under the regulatory system.

2.6.3 **R** A *firm* must not, in any written or oral communication to a *customer*, seek to exclude or restrict, or to rely on any exclusion or restriction of, any duty or liability not referred to in **MCOB 2.6.2 R** unless it is reasonable for it to do so.
2.6 Protecting customer’s interests: regulated mortgage contracts, home purchase plans, home reversion plans and regulated sale and rent back agreements

2.6A Protecting customer’s interests: regulated mortgage contracts

A mortgage lender may only include, or rely on, a term in a regulated mortgage contract which permits it to change the rate of interest from a fixed, discounted or other concessionary rate to the firm’s standard variable rate in the event of a breach of contract if each of the following conditions is met:

1. the breach of contract is material;
2. the breach of contract is unrelated to a payment shortfall; and
3. that standard variable rate is not an interest rate created especially for customers who are (either at all, or in particular ways) in breach of contract.

2.6A.1 Protecting customer’s interests: home purchase plans, home reversion plans and regulated sale and rent back agreements

A firm must ensure that the interests of its customer under a home purchase plan, home reversion plan or regulated sale and rent back agreement are protected to a reasonable standard.

2.6A.2 Circumstances that a firm should consider include how the customer will be protected in the event of:

1. the failure of a reversion provider, home purchase provider or SRB agreement provider;
2. the transfer of a reversion provider’s, home purchase provider’s or SRB agreement provider’s interest (or the interest the provider would have had, had it not nominated a third party to hold it) in the property to a third party;
3. other dealings by a reversion provider, home purchase provider or SRB agreement provider (or its nominee) with a third party; and
2.6A.3  
The steps that a firm might take in order to protect its customer's interests will depend on a number of factors, including the nature and structure of the home purchase plan, home reversion plan or regulated sale and rent back agreement and the jurisdiction in which the property is situated. If it is not possible to achieve reasonable protection (for example, due to impediments under a particular legal system) then a firm should not enter into, arrange or administer the plan.

2.6A.4  
(1) In the FCA's view, a customer's interests will include:

(a) protection of the customer's rights under the plan, in particular the right to occupy the property throughout its term;

(b) protection of any interest (legal or beneficial) that the customer retains, acquires or is intended to acquire in the property, including the expectation that such interests will be unencumbered by third party interests;

(c) that, where a customer pays sums under a home purchase plan towards the purchase price of the property, those sums will be applied towards the purchase price. Or, in circumstances where that is not practicable (for example, on repossession), that an appropriate amount will be returned to the customer; and

(d) a customer's contractual entitlement to receive certain sums back after a qualifying period, such as where it has been agreed that a certain percentage of discount will be refunded to the customer after a set period of tenancy.

(2) The protections that a firm should consider include:

(a) the extent to which different forms of tenure protect the tenant's right to occupy the property and afford protection against removal. In particular, granting the customer a licence to occupy the property is unlikely to provide an adequate level of security;

(b) (except in Scotland) the need for any agreement under which a customer has a right to acquire an interest in the property to be specifically enforceable;

(c) the extent to which appropriate registrations, restrictions, notices or other entries should be made in the relevant land register;

(d) the timing of entries in the relevant land register and who should be responsible for making them; and

(e) the customer's need for a full and clear understanding of all the steps that the firm expects him or his advisers to take to protect his interests both at the time the plan is entered into, and throughout its duration.

Protecting customers' interests: additional material for home reversion plans

(4) a reversion provider's, home purchase provider's or SRB agreement provider's (or its nominee's) failure to perform obligations owed to third parties, or imposed by statute.

2.6A.5  
Unless it is satisfied on reasonable grounds based on the customer's knowledge, expertise and experience that it is unnecessary, a firm must
obtain from its customer’s legal adviser, before its customer enters into a home reversion plan, confirmation that:

(1) he has been instructed to ensure that the customer’s legal rights under the plan are protected to a reasonable standard; and

(2) he has explained to the customer those aspects of the customer’s legal rights and obligations under the home reversion plan that he needs to understand.

Protecting customer's interests: regulated sale and rent back agreements

A firm must ensure that before a SRB agreement seller enters into a regulated sale and rent back agreement, the SRB agreement seller is made aware of the availability and importance of independent legal or professional advice.

Protecting customers' interests under regulated sale and rent back agreements: security of tenure

(1) When entering into a regulated sale and rent back agreement, a firm must ensure that, under the terms of the regulated sale and rent back agreement:

(a) the entitlement of the SRB agreement seller (or trust beneficiary or related person) to occupy the property is governed by a tenancy, which is structured:

(i) if the property is in England and Wales, as an assured tenancy (including an assured shorthold tenancy) under the Housing Act 1988 (as amended);  
(ii) if the property is in Scotland, as an assured tenancy (including a short assured tenancy) under the Housing (Scotland) Act 1988 (as amended); and  
(iii) if the property is in Northern Ireland, as a private tenancy under the Private Tenancies (Northern Ireland) Order 2006;

(b) the tenancy is for a fixed term of no less than five years;

(c) the terms of the tenancy provide for the tenant to terminate the tenancy during the fixed term on no more than three months' notice (and with no other conditions attached); and

(d) each of the terms of the tenancy is fair.

(2) When entering into a regulated sale and rent back agreement, a firm must ensure that, under the terms of the regulated sale and rent back agreement, if the property is in England and Wales, the terms of the tenancy do not:

(a) give the landlord power to determine the tenancy in certain circumstances as referred to in section 5(1) of the Housing Act 1988, as amended; or

(b) otherwise make provision for the tenancy to be brought to an end by the landlord save on a ground or grounds for possession applicable for an assured tenancy under the Housing Act 1988 as amended; or
(c) make provision for the tenancy to be brought to an end on any of Grounds 2, 6, 8 or 9 under the Housing Act 1988 as amended.

A firm may not rely during the fixed term of the tenancy on any ground for possession of the property other than a ground for possession on which the terms of the tenancy may under this paragraph (2) make provision for the tenancy to be brought to an end by the landlord, and a firm may only rely on any ground for possession if it is fair for the firm to do so.

(3) When entering into a regulated sale and rent back agreement, a firm must ensure that, under the terms of the regulated sale and rent back agreement, if the property is in Scotland, the terms of the tenancy do not include:

(a) any provision for it to be brought to an end by the landlord during the fixed term other than a ground for possession applicable for an assured tenancy under the Housing (Scotland) Act 1988 as amended; or

(b) Grounds 2, 6, 8 or 9 under the Housing (Scotland) Act 1988 (as amended).

A firm may not rely during the fixed term of the tenancy on any ground for possession of the property other than the grounds permitted under this paragraph (3) to be included in the terms of the tenancy, and a firm may only rely on any ground for possession if it is fair for the firm to do so.

(4) When entering into a regulated sale and rent back agreement, a firm must ensure that, under the terms of the regulated sale and rent back agreement, if the property is in Northern Ireland, the terms of the tenancy do not include:

(a) any provision which would permit the landlord to forfeit the lease and obtain possession of the property during the fixed term unless the provision is equivalent to a ground for possession applicable for an assured tenancy under Schedule 2 to the Housing Act 1988, as amended, in England; or

(b) any provision which would permit the landlord to forfeit the lease and obtain possession of the property on the basis that:

(i) a mortgagee (or chargee) under a mortgage (or charge) entered into by the landlord requires vacant possession for the purposes of exercising a power of sale of the property; or

(ii) the landlord intends to demolish or reconstruct, or carry out substantial works on, the property or any part of the property; or

(iii) there are arrears of rent, unless the conditions applicable to either Ground 9 or Ground 10 under the Housing Act 1988 as amended, in England, are satisfied; or

(iv) alternative accommodation is available for the tenant.

A firm may not rely during the fixed term of the tenancy on any circumstance to forfeit the lease and obtain possession of the property other than the circumstances permitted under this paragraph (4) to be included in the tenancy agreement, and a firm may only rely on any circumstance if it is fair for the firm to do so.
(5) A firm must not take, or propose or threaten to take, any steps to evict the SRB agreement seller (or trust beneficiary or related person) other than by applying to the court for a possession order based on the grounds or circumstances, reliance on which is not prohibited by this rule, and enforcing that order in a lawful manner.

(6) Where a SRB agreement provider enters into or proposes to enter into (whether before or after the commencement of the tenancy) a mortgage (or charge or standard security) over the interest it obtains under a regulated sale and rent back agreement, the firm must ensure that the mortgagee (or chargee or security holder) has agreed in writing to the proposed letting under the agreement, and to the terms of the agreement. The firm must provide to the SRB agreement seller a copy of the agreement in writing of the mortgagee (or chargee or security holder).

[Note: In England, Wales and Scotland a landlord, such as a SRB agreement provider, can only seek possession of a property during the fixed term of an assured tenancy if one or more of a limited number of grounds for possession set out in (in England and Wales) the Housing Act 1988 as amended, or (in Scotland) the Housing (Scotland) Act 1988 as amended, applies and the terms of the tenancy make provision for it to be ended on any of these grounds. Once the fixed term of the assured tenancy has ended, the landlord has the right to seek possession on broader grounds. Where the tenancy is (in England) an assured shorthold tenancy or (in Scotland) a short assured tenancy, the landlord has an additional right to seek possession from the end of the fixed term.

In Northern Ireland, the position is governed by the Private Tenancies (Northern Ireland) Order 2006 and the parties are free to agree the terms of a tenancy including its duration and the grounds on which the landlord may seek possession, including during any fixed term.

In any event it is for the court to decide whether one or more of the grounds for possession actually applies in the particular circumstances of any case.

In Northern Ireland, a tenant must give at least four weeks' notice to quit. Northern Ireland law implies a fixed term of six months in a private tenancy unless the parties agree an alternative fixed term, so a notice to quit expiring before the first six months of the tenancy may not be effective.]

In the light of MCOB 2.6A.5BR (1)(c), and in accordance with Principle 6, a firm should not seek to prevent a tenant in Northern Ireland from ending the tenancy on less than the agreed notice period (not exceeding three months in accordance with MCOB 2.6A.5BR (1)(c)), where the notice is given in the first six months of the tenancy.

Firms remain responsible for ensuring that their customers' interests are protected to a reasonable standard.
Protecting customers’ interests: additional material for home purchase plans

2.6A.7  A home purchase provider should consider obtaining confirmation from the customer’s legal adviser that he has carried out, or will carry out, the steps that the firm expects the customer or his legal advisers to take to protect his interests at the time the plan is taken out.

Treating customers fairly: home purchase plans, home reversion plans and regulated sale and rent back agreements

2.6A.8  A firm must pay due regard to the interests of its customer and treat him fairly when drafting, amending the terms of, or imposing obligations or exercising rights or discretions under, a home purchase plan, home reversion plan or regulated sale and rent back agreement.

2.6A.9  A firm is unlikely, for example, to be treating its customer fairly in relation to termination of a home purchase plan, home reversion plan or regulated sale and rent back agreement if:

   (1) the grounds on which it may terminate all or part of a plan or agreement are unduly wide, or on which a customer may terminate are unduly narrow; or

   (2) the customer is not given appropriate notice of termination.

2.6A.10  A firm is also unlikely to be treating its customer fairly if, upon termination of an agreement under a home purchase plan, home reversion plan or regulated sale and rent back agreement, the customer does not receive (net of any reasonable sums payable by the customer):

   (1) in the case of a home reversion plan or regulated sale and rent back agreement where the customer retains a beneficial interest in the property, the value of that beneficial interest; or

   (2) in the case of a home purchase plan, the value of purchase payments made.

[Note: The terms of a home purchase plan, home reversion plan or regulated sale and rent back agreement should take into account relevant legal obligations such as those under the Unfair Terms Regulations (for contracts entered into before 1 October 2015), the CRA and, where applicable, the Housing Act 1988 (or, in Scotland, the Housing (Scotland) Act 1988). A firm may find material on the FCA website concerning the FCA’s consumer protection powers useful.]

Treating customers fairly: home reversion plans and regulated sale and rent back agreements

2.6A.11  A firm is unlikely, for example, to be treating a reversion occupier or SRB agreement seller fairly if:

   (1) the reversion occupier or SRB agreement seller is obliged to maintain the property to a standard which exceeds the standard that the
property is in when the home reversion plan or regulated sale and rent back agreement commences;

(2) the reversion occupier or SRB agreement seller is not entitled to, or is not given, reasonable notice of an inspection, or the inspection is conducted in a way that is biased against him;

(3) unreasonable restrictions are imposed on who may occupy the property, taking into account the potential needs of the reversion occupier or SRB agreement seller throughout the duration of the home reversion plan or regulated sale and rent back agreement;

(4) unreasonable restrictions are imposed on the uses to which the property may be put;

(5) the reversion occupier or SRB agreement seller is unreasonably treated as having abandoned the property. For example, it is likely to be unreasonable to treat a property as abandoned based only on a period of non-occupation;

(5A) the rent payable under a regulated sale and rent back agreement is increased by an unreasonable amount or any charges payable under a regulated sale and rent back agreement are unreasonably imposed after the agreement is concluded; and

(6) where the reversion occupier has a reasonable expectation that the home reversion plan can be transferred to another property, agreement to such a transfer is, or can be, refused unreasonably.

Independent valuation: home reversion plans and regulated sale and rent back agreements

A firm must ensure that any valuation is carried out by a competent valuer who is independent of the reversion provider or SRB agreement provider.

A firm must ensure that any valuation for the purposes of a regulated sale and rent back agreement is carried out by a valuer who owes a duty of care to the customer in valuing the property.

(1) A valuer may be considered competent if he is a suitably qualified member of a professional body.

(2) A valuer may be considered independent if:

(a) the customer can choose the valuer subject to the firm objecting on reasonable grounds and to the valuer being competent;

(b) he owes a duty of care to the customer in valuing the property; and

(c) the customer has an appropriate remedy against him under a complaints procedure which allows the complaint to be referred to an independent person whose decision is binding on the valuer.
(3) Compliance with (1) and (2) (except, in the case of a regulated sale and rent back agreement, (2)(b)) may be relied on as tending to establish compliance with MCOB 2.6A.12 R.

(4) [deleted]

(5) For a regulated sale and rent back agreement, contravention of (1) or (2) (except (2)(b)) may be relied on as tending to show contravention of MCOB 2.6A.12 R.

2.6A.13A A firm may wish to use the form of joint instruction letter set out in MCOB 2 Annex 1G with a view to establishing that a valuer owes a duty of care to the customer (see MCOB 2.6A.12A R). That form incorporates the definition of "market value" required by MCOB 6.9.2R (1)(b).

2.6A.14 Members of the Royal Institution of Chartered Surveyors, for example, are required to operate a complaints procedure that allows the complaint to be referred to an independent person whose decision binds the valuer and which, in the FCA’s view, provides a customer with an appropriate remedy.

Obtaining best price: partial home reversion plans or regulated sale and rent back agreements

2.6A.15 A firm must take reasonable steps to ensure that, when a home reversion plan or regulated sale and rent back agreement ends and the customer retains a beneficial interest in the property:

(1) the property is sold within a reasonable period of time; and

(2) the best price that might reasonably be obtained is paid.

2.6A.16 It is recognised that a balance has to be struck between the need to sell the property as soon as possible, and other factors, such as market conditions, which may prompt the delay of the sale. Legitimate reasons for deferring action might include the expiry of a period when a grant is repayable on resale, or the discovery of a title defect that needs to be remedied if the optimal selling price is to be achieved.

Arranging or administering for unauthorised providers: home reversion plans

2.6A.17 For the purpose of this section (except this rule), a reversion arranger or reversion administrator’s customer:

(1) includes a reversion occupier or potential reversion occupier who enters, or proposes to enter, into a home reversion plan with an unauthorised reversion provider who is the firm’s customer; and

(2) excludes an unauthorised reversion provider.
Arranging or administering for unauthorised providers: regulated sale and rent back agreements

2.6A.17A

For the purpose of this section (except this rule), a SRB arranger’s or SRB administrator’s customer:

(1) includes a SRB agreement seller or potential SRB agreement seller who enters, or proposes to enter, into a regulated sale and rent back agreement with an unauthorised SRB agreement provider who is the firm’s customer; and

(2) excludes an unauthorised SRB agreement provider.

Arranging or administering for unauthorised providers: home reversion plans and regulated sale and rent back agreements

2.6A.18

A person may enter into a home reversion plan or regulated sale and rent back agreement as provider or agreement provider without being regulated by the FCA (or an exempt person) if the person does not do so by way of business (see PERG 14.5). If a firm arranges or makes arrangements for such a person to enter into a home reversion plan or regulated sale and rent back agreement as provider or agreement provider, the firm will be responsible for ensuring that the reversion occupier’s or SRB agreement seller’s interests are protected to a reasonable standard, even if the reversion arranger or SRB arranger is not acting for the reversion occupier or SRB agreement seller. A reversion administrator or SRB administrator is under the same obligation in relation to a reversion occupier or SRB agreement seller under a home reversion plan or regulated sale and rent back agreement which it administers on behalf of an unauthorised reversion provider or unauthorised SRB agreement provider.
2.7 Application to electronic media and distance communications

2.7.1 GEN 2.2.14 R (References to writing) has the effect that electronic media may be used to make communications that are required by the Handbook to be ‘in writing’ unless a contrary intention appears. In MCOB, the use of an electronic medium is restricted in certain circumstances to a durable medium as required by the Distance Marketing Directive.

Additional guidance in respect of electronic communication with or for customers

For any electronic communication with a customer in relation to a home finance transaction a firm should:

1. have in place appropriate arrangements, including contingency plans, to ensure the secure transmission and receipt of the communication; it should also be able to verify the authenticity and integrity of the communication together with the date and time sent and received; the arrangements should be proportionate and take into account the different levels of risk in a firm’s business;
2. be able to demonstrate that the customer wishes to communicate using this medium; and
3. if entering into an agreement, make it clear to the customer that a contractual relationship is created that has legal consequences.

2.7.3 A firm should note that GEN 2.2.14 R (References to writing) does not affect any other legal requirement that may apply in relation to the form or manner of executing a document or agreement.

General provisions related to distance contracts

During the course of a distance contract with a consumer, the making or performance of which constitutes or is part of a regulated mortgage contract, home purchase plan or regulated sale and rent back agreement:

1. the firm must, at the consumer’s request, provide a paper copy of the contractual terms and conditions of the regulated mortgage contract, home purchase plan, regulated sale and rent back agreement or services being provided by the firm; and
2. the firm must comply with the customer’s request to change the means of distance communication used, unless this is incompatible.
with the *regulated mortgage contract*, *home purchase plan*, *regulated sale and rent back agreement* or service being provided by the *firm*.

2.7.5  
A *firm* must ensure that information provided to a *consumer* before the conclusion of a *distance contract* about his contractual obligations under that contract conform with the contractual obligations that would be imposed on him under the law applying if the contract were concluded.

**Unsolicited services**

2.7.6  
(1) A *firm* must not:

(a) supply a service to a *consumer* without a prior request on his part, when this activity includes a request for immediate or deferred payment; or

(b) enforce any obligations against a *consumer* in the event of unsolicited supplies of services, the absence of a reply not constituting consent.

(2) Paragraph (1) applies in relation to *mortgage mediation activities*, entering into a *regulated mortgage contract*, *home purchase mediation activities* or entering into a *home purchase plan* under an organised distance sales or service-provision scheme run by the *firm* or by an intermediary, who, for the purpose of that supply, makes exclusive use of one or more means of distance communication up to and including the time at which the services are supplied.
2.7A E-Commerce

Application

2.7A.1 This section applies to a firm carrying on an electronic commerce activity from an establishment in the United Kingdom, with or for a person in the United Kingdom or another EEA state, in relation to a home finance transaction.

Information about the firm and its products or services

2.7A.2 A firm must make at least the following information easily, directly and permanently accessible to the recipients of the information society services it provides:

(1) its name;

(2) the geographic address at which it is established;

(3) the details of the firm, including its e-mail address, which allow it to be contacted rapidly and communicated with in a direct and effective manner;

(4) an appropriate statutory status disclosure statement (GEN 4 Annex 1 R), together with a statement which explains that it is on the Financial Services Register and includes its Firm Reference Number;

(5) if it is a professional firm, or a person regulated by the equivalent of a designated professional body in another EEA State:

(a) the name of the professional body (including any designated professional body) or similar institution with which it is registered;

(b) the professional title and the EEA State where the professional title was granted;

(c) a reference to the applicable professional rules in the EEA State of establishment and the means to access them; and

(6) where the firm undertakes an activity that is subject to VAT, its VAT number.

[Note: article 5(1) of the E-Commerce Directive]
2.7A.3 If a firm refers to price, it must do so clearly and unambiguously, indicating whether the price is inclusive of tax and delivery costs.

[Note: article 5(2) of the E-Commerce Directive]

2.7A.4 A firm must ensure that commercial communications which are part of, or constitute, an information society service, comply with the following conditions:

1. The commercial communication must be clearly identifiable as such;
2. The person on whose behalf the commercial communication is made must be clearly identifiable;
3. Promotional offers must be clearly identifiable as such, and the conditions that must be met to qualify for them must be easily accessible and presented clearly and unambiguously; and
4. Promotional competitions or games must be clearly identifiable as such, and the conditions for participation must be easily accessible and presented clearly and unambiguously.

[Note: article 6 of the E-Commerce Directive]

2.7A.5 An unsolicited commercial communication sent by e-mail by a firm established in the United Kingdom must be identifiable clearly and unambiguously as an unsolicited commercial communication as soon as it is received by the recipient.

[Note: article 7(1) of the E-Commerce Directive]

Requirements relating to the placing and receipt of orders

2.7A.6 A firm must (except when otherwise agreed by parties who are not consumers):

1. Give an ECA recipient at least the following information, clearly, comprehensibly and unambiguously, and before the order is placed by the recipient of the service:
   a. The different technical steps to follow to conclude the contract;
   b. Whether or not the concluded contract will be filed by the firm and whether it will be accessible;
   c. The technical means for identifying and correcting input errors before the placing of the order; and
   d. The languages offered for the conclusion of the contract;
2. Indicate any relevant codes of conduct to which it subscribes and information on how those codes can be consulted electronically;
3. (When an ECA recipient places an order through technological means), acknowledge the receipt of the recipient’s order without undue delay and by electronic means (an order and an acknowledgement of receipt are deemed to be received when the parties to whom they are addressed are able to access them); and
(4) make available to an ECA recipient, appropriate, effective and accessible technical means allowing the recipient to identify and correct input errors before the placing of an order.

[Note: article 10(1) and (2) and 11(1) and (2) of the E-Commerce Directive]

2.7A.7 Contractual terms and conditions provided by a firm to an ECA recipient must be made available in a way that allows the recipient to store and reproduce them.

[Note: article 10(3) of the E-Commerce Directive]

Exception: contract concluded by e-mail

2.7A.8 The requirements relating to the placing and receipt of orders do not apply to contracts concluded exclusively by exchange of e-mail or by equivalent individual communications.

[Note: article 10(4) and 11(3) of the E-Commerce Directive]
2.8 Record keeping

Purpose

2.8.1 MCOB 2.8 provides details of the standard expected of firms where there is an obligation in MCOB requiring firms to maintain adequate records to evidence compliance. An overall view of the record keeping requirements in MCOB is in MCOB Sch 1.

Accessibility of records

2.8.2 The records required in MCOB must be readily accessible for inspection by the FCA.

2.8.3 A record would be 'readily accessible' if it were available for inspection within two business days of the request being received.

2.8.4

(1) A firm may arrange for records to be kept in such form as it chooses, provided the record is readily accessible for inspection by the FCA.

(2) Where a firm chooses to maintain records in electronic form, it should take reasonable steps to ensure that:

(a) the electronic record accurately reflects the original information; and

(b) the electronic record has not been subject to unauthorised or accidental alteration.

2.8.5 Except for MCOB 11.6.21A R, each rule in MCOB that requires a record also sets out a period that the record must be kept for. While not a requirement of MCOB, firms may choose to keep records for longer periods, for example, where there is the possibility of customer complaint or legal action against the firm.

Home purchase plans

2.8.6 This sourcebook does not specify detailed record keeping requirements for a firm that carries on a home purchase activity or that communicates or approves a financial promotion of a home purchase plan (but note the high-level record-keeping provisions in the Senior Management Arrangements, Systems and Controls sourcebook).
2.9 Restriction on marketing or providing an optional product for which a fee is payable

(1) A firm must not enter into an agreement with a customer under which a charge is, or may become, payable for an optional additional product unless the customer has actively elected to obtain that specific product.

(2) A firm must not impose a charge on a customer for an optional additional product under an agreement entered into on or after 1 April 2016 unless the customer actively elected to obtain that specific product before becoming bound to pay the charge.

(3) A firm must not invite or induce a customer to obtain an optional additional product for which a charge will be, or may become, payable if the firm knows or has reasonable cause to suspect that:
   (a) a contravention of (1) or (2) will take place with respect to the product; or
   (b) the person supplying the optional additional product will act in a way that would contravene (1) or (2) if that person were a firm.

(4) An omission by a customer is not to be regarded as an active election for the purposes of this rule.

(5) It is immaterial for the purposes of (3) whether or not the firm would or might be a party to the agreement for the optional additional product.

(6) A charge includes a financial consideration of any kind whether payable to the firm or to any other person.

(7) An optional additional product is a good, service or right of any description (whether or not financial in nature) that a customer may obtain (or not, as the case may be) at his or her election in connection with or alongside entering into a home finance transaction.

(8) (a) Where a customer is required to obtain a specific additional product in order to enter into the home finance transaction, the product is not an optional additional product.

(b) Where a customer is required to obtain a particular category of additional product (for example, a particular type of insurance) in order to enter into the home finance transaction, and the
2.9.2 An example of an omission by a customer which is not to be regarded as an active election is the failure by the customer to change a default option such as a pre-ticked box on a website.

2.9.3 Firms are reminded that a similar prohibition on opt-out selling of add-on products is imposed by The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 in relation to optional additional agreements where the main sale is not a financial service or product.

2.9.4 Firms are reminded of the guidance on appointed representatives set out in MCOB 1.5G.
Section 2.9 : Restriction on marketing or providing an optional product for which a fee is payable
Form of joint instruction letter

This Annex belongs to MCOB 2.6A.13A G. MCOB 2 Annex 1G - Form of joint instruction letter