NEWS

The return of short-notice mortgage withdrawals is creating panic among brokers – analysis

by: Shekina Tuahene

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Some lenders are giving advisers too short of a notice period before pulling mortgage products off the market to be repriced, which is causing renewed frustration, brokers have said.

Malcolm Davidson, managing director of UK Moneyman, pointed out that in the last two weeks a number of lenders had announced changes and given brokers up until midnight to secure outgoing rates.

He said: "The days – or should I say nights – of short-notice product pulls have recently made an unwelcome return, a turn of events which I find extremely unfortunate."

Last year, the average shelf life of mortgage products fell to a record low as lenders battled against an uncertain market.

Cutting application corners

Davidson said brokers were the "first line of defence" against anti-money laundering but with lenders pulling deals with just a few hours' notice, it gave advisers little chance to secure the deals they quoted to clients and could result in them "cutting corners" on diligence checks.

He said the broker community reluctantly accepted that short notice withdrawals were necessary last year to protect lender services but said there had been no significant issues for six months.

Davidson suggested that now lenders were "protecting their margin because of the market volatility", adding: "Are the margins really that skinny that giving us 48 hours' notice of a rate pull is not possible?"

Gary Bush, financial adviser at MortgageShop.com, said giving the market a couple of hours' notice before pulling a mortgage rate from the market was making things worse.

He said there did not seem to be care shown towards the advice firms who were recommending products, submitted data, had the case agreed in principle and were most of the way through a full application.

Bush added: "I personally would hope that the Financial Conduct Authority's Consumer Duty might have something to say about this awful process from August onwards that the industry suffers from. I live in hope."

Creating stress and disrupting the work-life balance

Brokers noted that sudden product changes impacted mental health and imposed on their downtime.

Davidson said: "They [lenders] know we will bend over backwards and burn the midnight oil when their own teams have logged off. It seems that mental health awareness turned out to be nothing more than words as well."

Scott Taylor-Barr, financial adviser at Carl Summers Financial Services, said when this happened, the pressure was "suddenly on to get any pending applications submitted before the cut off".

He added: "All other plans, work and private, get dropped to make sure that happens. There will be many brokers up and down the land who will have canceled family dinners, date-night, or been unable to watch their children's events because a lender chose to pull a rate at 4pm and gave us all until 6pm to get applications submitted."

Riz Malik, director at R3 Mortgages, said: "It is important to note that products being withdrawn with abbreviated deadlines can significantly elevate stress levels amongst brokers, a situation that's only exacerbated by the ongoing volatility of interest rates."

Justin Moy, managing director at EHF Mortgages, said this was a common practice and suggested the only way around it was to not have any important afternoon appointments, so rate changes were not missed.

He added: "This does create an environment that is not ideal for anyone, as brokers will need react to this and clients may feel panicked into taking a deal, certainly not the experience you would promote for the most important purchase in your life."

Moy said the "impulse rate changing malarkey" created a difficult work environment for brokers and made it hard for them to support clients.

Consistency across the sector

The question was also raised as to why some lenders were able to give up to two days' notice for product withdrawals, while others were not.

"We all appreciate that market conditions are changing constantly, but some lenders like Coventry Building Society and Platform are able to let us know with at least 24 to 48 hours' notice, so why doesn't the rest of the market do the same?" Moy asked.

Malik added: "I'm still questioning why we can't adopt a more manageable approach, such as Coventry's 48-hour notice period, to provide a reasonable timeframe for adjustment to new pricing."

Davidson also said lender technology should be able to let them see how many cases were in their pipeline so they could plan better and reserve funds until "we safely collate and check all documents".

He added: "A big thank you to all the lenders who do treat our community with the respect it deserves by giving us the 48 hours' notice. It is much appreciated and it's about time the bigger players upped their games."

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