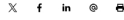


Mortgages May 3 2023

Brokers call for new rules on 'rampant' conditional selling



(Neil Hall/Reuters)

By Jane Matthews

Mortgage brokers have expressed frustration at continued conditional selling in the housing market, with some reporting unfair practices by housing associations responsible for shared ownership schemes.

Brokers have argued new rules are needed in relation to conditional selling to help better protect home buyers.

Conditional selling is where an estate agent or housing association tells a prospective buyer they have to use their in-house mortgage broker or solicitor, in order to complete the purchase.

The practice is illegal under the Estate Agents Act 1979, but despite this brokers report that the practice is still "rampant".

This week, some brokers have said it is not just estate agents engaging in the practice, but housing associations responsible for shared ownership schemes too.

One broker has reported that on a number of occasions clients of his, with mortgage approval in principle, have been told they can only reserve a shared ownership property if they use the housing association approved broker.

According to the broker, this only generally happens with new build shared ownership and he has not experienced it with older properties.

Other brokers have also shared their experiences of dealing with housing associations, with many reporting similar interactions.

Matthew Jackson, director at Mint FS, said: "Housing associations act on behalf of the government policing what is a very valuable affordable housing scheme, but in some circumstances are using this as a way to line their pockets with referral fees by insisting buyers use certain solicitors and mortgage brokers."

In his view, shared ownership schemes are in need of a rebrand and relaunch in order to offer more inclusive advice to all who need it.

Jackson added: "This lack of choice drives down service and blurs the line between who is the actual client, with brokers valuing the relationship with the housing association more than the one with their own client."

Likewise, Gary Bush, a financial adviser with MortgageShop.com, said that very often the practice will be disguised with phrases like "our adviser needs to check affordability, separate of your adviser" and "it's much more streamlined if you use our advisers".

"What then often happens is the housing association's advisers only have a limited panel of lenders and they fail to gain an agreement.

"Even if the clients subsequently secure funding via ourselves, the housing association makes it difficult by stating the lender we are using isn't 'High Street enough' for them," Bush said.

Not all associations

However not all mortgage brokers agreed that the practice was widespread, with some saying they have never experienced it despite working regularly with housing associations.

Nicola Schutrups, managing director of The Mortgage Hut said she has never had a housing association ask for payment or commissions.

"As a business, we are lucky enough to work with a number of housing associations helping buyers of shared ownership properties get qualified," Schutrups said.

"Not all buyers are eligible for shared ownership as per government guidelines, so housing associations need to financially qualify applicants, and they will generally use a regulated broker for this. Normally, housing associations have panels of approved brokers, in our experience it's free to be on and they never require payment for this."

Likewise, Katy Eatenton, a mortgage specialist at Lifetime Wealth Management said she has never had any problems with clients using shared ownership schemes.

"They have to be qualified to check affordability, which is understandable, but my clients let them know they've paid an upfront non-refundable fee to me and engaged my services so they are not willing to switch advisers. Simple," she said.

Shared ownership is a more affordable way for first-time buyers to access the property ladder by allowing the purchase of a leasehold property for a lower deposit with a rent paid on the remainder.

Under the scheme, homebuyers pay a mortgage on the share they own and pay rent on the remaining share, meaning only a smaller deposit is required.

Nothing changes

Others in the industry have said conditional selling in general is still widespread across the board, and many are frustrated that it remains largely unchallenged.

"We keep pointing out that conditional selling is rampant in the market with numerous accounts of bad behaviour yet nothing ever happens, no one is punished, and it just carries on," Lewis Shaw, owner of Riverside Mortgages said.

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He added: "maybe we should all start playing the same game if there are no repercussions? At least that way we level the playing field."

jane.matthews@ft.com

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