In clear terms

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In mid-July, the CML hosted the mortgage fees update seminar at which Katherine Webster, manager of the FSA's unfair contract terms team addressed the gathering on FSA's views and position in relation to mortgage exit administration fees.

Ms Webster said that her team see many examples of significant deficiencies in firms' standard form consumer contracts and that the FSA views this as an example of how the general TCF agenda has failed to take hold in a specific area.

She stated: "A consumer contract is a document that crystallises the relationship between the firm and the consumer. The fairness of terms in consumer contracts is an important part of TCF throughout the whole product life cycle. If a contract contains unfair contract terms, it is a black and white example of firms not treating their customers fairly."

Ms Webster went on to say that the primary responsibility for meeting TCF requirements rests with senior management and that applies to contract terms too. In effect, senior managers are under an obligation to ensure that the contract terms between their businesses and their customers are fair and the contracts must be drafted by competent and skilled persons.

MEAFs were first broached by the FSA over 18 months ago and the FSA describes this area as a "rather thorny issue". The FSA is expecting lenders to review their fees and their standard form terms and conditions and decide whether they will be amending their MEAF terms and MEAF amounts for future customers.

However, do not be fooled into believing that these comments are confined to MEAFs and mortgage lenders. The FSA will be equally interested in contract terms for investment products and their distribution, especially when looking at whether or not a business is achieving the TCF outcomes for its customers.

Philip Ryley is a solicitor and Head of Financial Services & Markets at Michelmores Solicitors, based in Exeter and London.