

Direct line: 0131 301 2052
Email: andrew.kay@fca.org.uk



Quayside House
127 Fountainbridge
Edinburgh
EH3 9QG

Tel: +44 (0)131 301 2000
www.fca.org.uk

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Dear Board of Directors,

Outsourcing to Third Party Mortgage Administrators

We have recently written to our portfolio of Mortgage Third Party Administrators (TPAs) setting out our view of the key risks TPAs pose to their customers or the markets in which they operate, outlining our expectations of firms, including how they should be mitigating these key risks. We attach a copy of that letter for your attention.

We recognise that the increased coronavirus-related restrictions placed on many areas of the UK during 2020 led to heightened financial difficulty for some consumers, and that many will continue to live in financial uncertainty as the impact of coronavirus continues.

However, the harms that they are exposed to remain largely the same and could be exacerbated if the relationship between you (as the outsourcing entity) and the TPA is weak or insufficiently monitored.

Firms cannot outsource regulatory responsibility for activities carried out on their behalf by TPAs, and therefore we expect you to ensure that TPAs are correctly acting on your behalf and in line with the policies and procedures that you have agreed. You must satisfy yourself that they have appropriate systems and controls, policies and procedures in place, together with their own internal governance and oversight so they can demonstrate they are treating their consumers fairly. The Senior Manager responsible for the oversight of your TPA's activities should have this included in their Statement of Responsibility. We will hold them to account where we find breaches of our rules.

You should also take steps to satisfy yourself that TPAs who administer mortgages on your behalf have adequate resources in place.

We expect consumers in default or arrears difficulties to be treated with forbearance and due consideration. You should satisfy yourself that the TPA is, where appropriate, agreeing sustainable repayment and forbearance arrangements.

All firms in the financial services industry are expected to conduct their activities in a way that treats customers fairly, provides clear communications to consumers, resolves disputes and complaints fairly, and complies with FCA Principles and FCA Handbook rules and guidance. We expect you to challenge how a TPA operates on your behalf to minimise the consumer harm it may cause.

We will act where we identify TPAs causing, or who we consider likely to cause, significant harm to consumers. If you have any questions, please contact your normal supervisory contact or call 0300 500 0597. This is the primary point of contact for your firm's interactions with the FCA.

Yours faithfully,

Andrew Kay

Head of Department, Retail Lending 1, Supervision, Retail and Authorisations Division