

## 2 Background and approach

- 2.1** This is our final report following the mortgages market study. It sets out our final findings after considering feedback on our [interim report](#), confirms our proposed remedies, describes the progress made on each remedy, and sets out the next steps.

### Why we decided to look into the mortgage market

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- 2.2** The mortgage market plays a crucial role in the UK economy. Mortgage debt accounts for over 80% of total UK household liabilities. Choosing a mortgage is one of the most important financial decisions for a consumer but it can be difficult to get right.
- 2.3** This market changed significantly after the financial crisis. There was an immediate market reaction. There was also a regulatory response. This included our Mortgage Market Review (MMR) which sought to prevent a return to previous poor practices and improve the affordability of mortgages.
- 2.4** We were keen to understand how well certain important aspects of the market are now working, in part to help assess the impact of the MMR on advice and intermediation. So, in December 2016 we launched this [Mortgages Market Study \(MMS\)](#).

### Scope of the study

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- 2.5** The focus of the MMS is first-charge, residential mortgages. Lifetime mortgages and further advances are within scope.<sup>3</sup> We considered 2 main questions:
- At each stage of the consumer journey, do the available tools<sup>4</sup> help mortgage consumers make effective decisions?
  - Do commercial arrangements between lenders, intermediaries and other players lead to conflicts of interest or misaligned incentives that could harm consumers?
- 2.6** We also considered:
- the role of our Handbook rules and guidance
  - opportunities for (or barriers to) better technological solutions
  - whether some consumers on a (relatively high) reversion rate don't or can't switch
- 2.7** The MMS did not focus on buy-to-let, second-charge or commercial mortgages, or home reversion plans. However, we have considered how any insights gained are relevant to those markets we regulate. Prudential issues were out of scope.

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<sup>3</sup> We propose to include lifetime and second charge mortgages in further work aimed at (i) giving consumers greater certainty, earlier in the sales process, on the products for which they qualify, (ii) helping consumers make a more informed choice of broker and (iii) switching.

<sup>4</sup> When referring to tools, we mean any source of assistance used during the customer journey from initial research to a mortgage application, including mortgage advice.