Chapter 11

Mortgage fraud against lenders (2011)

11.1 Introduction

11.1.1 **Who should read this chapter?** This chapter is relevant, and its statements of good and poor practice apply, to **mortgage lenders within our supervisory scope**. It may also be of interest to other firms who are subject to the financial crime rules in SYSC 3.2.6R or SYSC 6.1.1R.

11.1.2 In June 2011 the *FSA* published the findings of its thematic review into how mortgage lenders in the UK were managing the risks mortgage fraud posed to their businesses. The project population of 20 banks and building societies was selected to be a representative sample of the mortgage lending market. The firms the *FSA* visited accounted for 56% of the mortgage market in 2010.

11.1.3 The *FSA's* review found the industry had made progress coming to terms with the problem of containing mortgage fraud over recent years. Defences were stronger, and the value of cross-industry cooperation was better recognised. However, the *FSA* found that many in the industry could do better; the *FSA* were disappointed, for example, that more firms were not actively participating in the *FSA's* Information From Lenders scheme and other industry-wide initiatives to tackle mortgage fraud. Other areas of concern the *FSA* identified were to do with the adequacy of firms' resources for dealing with mortgage fraud, both in terms of the number and experience of staff; and the *FSA* identified scope for significant improvement in the way lenders dealt with third parties such as brokers, valuers and conveyancers.

11.1.4 The contents of this report are reflected in FCG 2 (Financial crime systems and controls) and FCG 4 (Fraud) of Part 1 of this Guide.