

Chapter 2A

Mortgage Credit Directive

		<div>2A.1</div> <div>Remuneration: MCD regulated mortgage contracts</div>
2A.1.1	R	<div><div><div>(1) An MCD mortgage lender must not remunerate its <i>members of staff</i> or <i>MCD mortgage credit intermediaries</i> in a way that impedes the <i>MCD mortgage lender</i> from complying with the <i>rules</i>.</div><div>(2) An MCD mortgage credit intermediary must not remunerate its <i>members of staff</i> or <i>appointed representatives</i> in a way that impedes the <i>MCD mortgage credit intermediary</i> from complying with the <i>rules</i>.</div></div><div>[Note: article 7(2) of the MCD]</div></div>
2A.1.2	R	<div><div>When establishing and applying <i>remuneration</i> policies for <i>members of staff</i> who are responsible for the assessment of affordability for <i>consumers</i>, an <i>MCD mortgage lender</i> must comply with the following principles:</div><div><div><div>(1) be consistent with, and promote, sound and effective risk management;</div><div>(2) not encourage risk-taking that exceeds the level of tolerated risk of the <i>MCD mortgage lender</i>;</div><div>(3) be in line with the business strategy, objectives, values and long-term interests of the <i>MCD mortgage lender</i>; and</div><div>(4) incorporate measures to avoid conflicts of interest, in particular by providing that <i>remuneration</i> is not contingent on the number or proportion of applications accepted.</div></div><div>[Note: article 7(3) of the MCD]</div></div></div>
2A.1.3	R	<div><div>An <i>MCD mortgage lender</i> must comply with <div>■</div> MCOB 2A.1.2 R in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities:</div><div>[Note: article 7(3) of the MCD]</div></div>
2A.1.4	R	<div><div>An <i>MCD mortgage adviser</i>, or any other <i>firm</i> that is an <i>MCD mortgage lender</i> or an <i>MCD mortgage arranger</i> that provides advisory services within the meaning of article 4(21) of the <i>MCD</i>, must ensure that the <i>remuneration</i> structure of the <i>members of staff</i> involved does not:</div></div>

- (1) prejudice the ability of the *members of staff* or the *firm* to act in the *consumer's* best interest; and
- (2) be contingent on sales targets.

[Note: article 7(4) of the *MCD*]

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The *remuneration* policies of *MCD mortgage lenders* and *MCD mortgage credit intermediaries*, including those that take account of sales volumes, should not be designed in a way that would incentivise their *members of staff* to conclude a given number or type of *MCD regulated mortgage contracts*.