

CONDUCT OF BUSINESS (DISCLOSURE AMENDMENT) INSTRUMENT 2017

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (General rule-making power);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 13 September 2017.

Amendments to the Handbook

- D. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex A to this instrument.
- E. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Conduct of Business (Disclosure Amendment) Instrument 2017.

By order of the Board
12 September 2017

Annex A

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Communicating with clients, including financial promotions

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4.5 Communicating with retail clients

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- 4.5.5 G When communicating information, a *firm* should consider whether omission of any relevant fact will result in information being insufficient, unclear, unfair or misleading. When considering whether a fact should be included in the communication or omitted from it, a *firm* should bear in the mind the guidance in COBS 4.2.2G to provide information which is appropriate and proportionate.

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14 Providing product information to clients

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14.2 Providing product information to clients

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Providing additional information to the client

- 14.2.18 G (1) A *firm* that provides the product information required by this section is not precluded from providing additional information to the *client* (for example, in order to assist the *client's* understanding of the proposed transaction).
- (2) When a *firm* provides additional information it should:
- (a) ensure that the additional information does not disguise, diminish or obscure important information contained in the product information required by this section;
- (b) consider whether any other *rules* or requirements in any directly applicable *EU* regulations apply to the communication of that additional information. For example, for marketing communications relating to a *UCITS scheme* or *EEA UCITS scheme* see COBS 4.13.2R; and

(c) have regard to the *fair, clear and not misleading rule*, the *client's best interests rule* and *Principles 6 and 7*.

Annex B

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

7 Disclosure at start of contract and after sale

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7.5 Mortgages: statements

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Annual statement: content

7.5.3 R The statement required by *MCOB 7.5.1R* must contain the following:

- (1) except in the case of *mortgage credit cards*, information on the type of *regulated mortgage contract*, including:
 - (a) a clear statement of whether the *regulated mortgage contract* is an *interest-only mortgage*, or *repayment mortgage*, or a combination of both; and
 - (b) a prominent reminder, where all of the *regulated mortgage contract* is an *interest-only mortgage*, that:
 - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and
 - (ii) the *customer* should have in place arrangements to pay off the capital, and should check the performance of any *investments* they might have in place for this purpose;

~~using the following text: "This is an interest only mortgage. Your mortgage payments [include the costs of a savings plan/an investment that you] [do not include the costs of any savings plan or other investment you may] have arranged to build up a lump sum to repay the amount you borrowed. It is important to check regularly that your savings plan or other investment is on track to repay this mortgage at the end of the term."~~

- (c) a prominent reminder, where only part of the *regulated mortgage contract* is an *interest-only mortgage*, that:
 - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and

- (ii) the *customer* should have in place arrangements to pay off the amount of the loan that is on an *interest-only* basis, and should check the performance of any *investments* they might have in place for this purpose;

~~using the following text: ‘This mortgage includes [insert amount] borrowed on interest-only terms. Your mortgage payments [include the costs of a savings plan/an investment that you] [do not include the costs of any savings plan or other investment you may] have arranged to build up a lump sum to repay this amount. It is important to check regularly that your savings plan or other investment is on track to repay the interest-only part of your mortgage at the end of the term.’~~

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- 7.5.4 R ~~Where payments are not being made for a *repayment strategy* (for example, for a *bridging loan*) the text in *MCOB 7.5.3 R(1)(b)(ii)* or *MCOB 7.5.3 R(1)(c)(ii)* is replaced with the following: “As all or part of your mortgage is an interest-only mortgage, it assumes that you pay back the total amount borrowed on an interest-only basis as a lump sum at the end of the mortgage term.”~~ [deleted]