

Concern Raised About Bad Credit Loan Providers

A number of intermediaries and lenders within the sub-prime mortgage market are guilty of "poor practice", it has been suggested.

July 4, 2007 (FPRC) -- In a report released by the Financial Services Authority (FSA), about a third of mediators' files reviewed indicated that consumers were assessed inadequately in terms of judging their ability to make repayments on bad credit loans. Meanwhile, about half of the cases investigated were also shown to insufficiently judge if such borrowing was actually suitable for consumers.

A "significant number" of borrowers were also said to have been recommended to remortgage their homes, even though their credit supplier failed to demonstrate why this would be needed. Consequently such consumers were reported to incur early repayment charges which could affect their short-term attempts at personal finance management.

Managing director of retail markets Clive Briault said: "We are very concerned about these findings. Consumers in the sub-prime market are vulnerable people who may have high debts or a bad credit history. It is therefore important that they are properly assessed and advised."

Figures from the FSA indicated that borrowing policies were of a low standard among bad credit loan lenders. None of those examined were reported to incorporate all relevant responsible lending criteria into their policies. Meanwhile, many lenders were said to be failing to put their own policies into practice such as failing to check the information that borrowers supply them with. The authority also suggested that companies are often not monitoring how their lending criteria is applied, which consequently may result "in the approval of potentially unaffordable mortgages".

"All mortgage firms must ensure they are treating their customers fairly by undertaking robust assessments of affordability and ensuring they have sound and consistently applied, lending policies," he added. Mr Briault also claimed that five companies have now been referred to the authorities as they failed to improve standards following a similar study carried out in 2005. The director indicated: "Poor sales practices in this market may lead to serious wider consequences."

Following the study, bad credit loan borrowers were recommended to make sure that they understand the various charges and risks involved when they are looking to take out a sub-prime mortgage, "particularly at a time when interest rates are rising". Consumers were also advised against stating they have a higher salary than they actually do as it is a criminal offence.

According to a further study of 20 interest-only lenders, both in the prime and sub-prime sector, the authority discovered that many companies need to improve their responsible lending criteria which provides a clear basis on judging the ability of borrowers in paying back bad credit secured loans.

Michael Coogan, director general of the Council of Mortgage Lenders, welcomed the FSA's findings and urged all bad credit loan lenders to improve their responsible lending criteria. He added: "The sub-prime market has an important role to play in helping people with past credit problems to rehabilitate their finances. But we acknowledge that, in particular, lenders and intermediaries in the sub-prime sector need to demonstrate that they are complying fully with the FSA's responsible

lending requirements."

1 Stop Finance Shop providing you with breaking personal loan news.

Contact Information

For more information contact Abbi Rouse of 1 Stop Finance Shop UK
(<http://www.1stopfinanceshopuk.biz>)
01481 701350

Keywords

[bad credit loans](#)

[bad credit loan](#)

[personal loan news](#)

You can read this press release online [here](#)