

25-year products 'could lead to mis-selling'

BY **DAVID FRENCH**

25-year fixed rate products could be liable to future mis-selling claims, All Types of Mortgages (AToM) has warned.

The distributor said the products were too inflexible to deal with the ever-changing lives of today's mortgage customers, meaning clients could be tied into a deal if interest rates or personal circumstances changed. It recommended clauses in the product which allowed customers to exit the deal without high redemption penalties should their circumstances change beyond their control, as well as refunds should the interest rate stay

below the product rate for more than five years.

Vic Jannels, chairman of AToM, said: "Long-term fixed rates would have been ideal 50 years ago, when men were the principal earners and there was an acceptance that both jobs and marriage were for life. Nowadays, people's income and circumstances are much more changeable. The government has often recognised the importance of labour mobility for a successful economy and it must also, therefore, ensure that these long-term proposals support this, as well as acknowledging the reality of life today."

However, a spokesperson for the Financial Services

Authority said it was not overly worried at this stage. "As with any mortgage, the adviser has to make sure that the product which they are advising is right for the client. This should be explained to the client, documented in the factfind and in the Key Facts Illustration."

Paul Fincham, senior media relations manager at Halifax, commented: "It boils down to two things. Firstly, the deal and the optimum length of it will depend very much on the individual circumstances of the customer. However, it also shows the importance that lenders, distributors and brokers work together to design products which best suit our customers."