

Are larger lending panels better for the borrower or do smaller panels offer more benefits for both brokers and their clients and, if so, why?

Paul Winter, Ipswich Building Society

A network gives its appointed representatives (AR) access to more products when it increases the number of lenders on its panel. In doing so, it provides its ARs with the sort of range that is available to brokers who are directly authorised.



This has to be good news for the borrower because the broker has a wider range of products to recommend. It is something that also fits in with the Financial Services Authority (FSA) requirement that consumers are offered a sufficiently wide choice of sources of mortgage finance.

However, there is a downside to this approach. The more lenders there are on a network's panel, the less bargaining power it has when it is involved in negotiations with those lenders. This can have an impact on procurement fees and the availability of exclusive products.

Many lenders offer advantages in niche areas such as shared ownership. But by restricting panels the borrower may not have access to the best deals.

Sally Laker, Mortgage Intelligence

Offering the best advice is all about choice. I find it difficult to understand how restricting the choice of lender to enable intermediaries to get a better procurement fee can benefit consumers. Through years of experience in dealing with mortgage intermediaries I have found that they want to be able to offer a wide range of products and providers. Restricted panels are more common in the life and general insurance market because the product variance is much narrower and it is primarily more rate driven.

Restricted mortgage panels aim to gain a higher market share for selected lenders by excluding key competitors, the idea being to encourage intermediaries to restrict consumer choice by paying bigger procurement fees. It has been suggested in the past that lenders may have paid to be on restricted panels, which again raises issues from a transparency point of view.

Tim Henson, All Types of Mortgages

Given the diversity of the market, an automatic response might be "yes" on the basis that big is beautiful. However, we need to identify and examine criteria by which to judge and evaluate this versus the specific needs and objectives of borrowers. Usually, a wider choice results in a better deal but this simplistic approach can often overlook the need for service and problem resolution. So, an offering which may be considered selective but representative of the whole market may be a more suitable alternative to a bland industrial mix of products. Although both may have the ability to offer



exclusive, niche and innovative schemes, it is the sales consultant – who fully understands his client's needs and can match these with the right product – who will deliver the

best option for consumers. After all, advice is both king and arbiter in the new regime. The mortgage market continues to evolve and the real issue is the delivery of a transparent, compliant service in which the borrower and all stakeholders can have confidence in the route taken.

Ray Boulger, Charcol

Competition drives the UK mortgage market and choice drives competition. It is obvious that if a broker restricts the number of lenders it deals with, some clients will lose out.

One argument put forward for smaller panels is that clients do not want too much choice. But this is a ridiculous claim. Clients go to a broker for advice. The broker needs the expertise to make that initial choice, not the client, although the broker may present the client with a very small number of products to choose from if there is not an obvious choice.

Another excuse for using a panel is that it enables the broker to get better deals and/or service from those lenders it chooses to deal with. This might have some validity but does not alter the fact that some clients will lose out. Brokers using a panel should be honest enough to admit the real reason is that it makes life easier for the broker, especially if the panel is small.

Sue Cox, Bananas Inc

More choice for ARs should mean more choice for borrowers. The network with the larger panel will say that this is better for the borrower than having a smaller panel because the broker has more products to recommend.

The networks with smaller panels, however, will claim they are able to secure better terms from fewer lenders because of their bargaining power.

From the broker's point of view, a larger panel can be better because one of the obstacles for them in joining a



network is often that the network can not offer them the choice of dealing with the lenders they are used to dealing with. The greater the number of lenders on a panel, the greater the chance is that the broker will have contact with lenders they already have relationships with.

In the longer term it will be interesting to see whether networks with larger panels will do better than those with fewer lenders to offer to their ARs.

Christopher May, The Mortgage Times Group

There are advantages to both large and small panels, but it depends on the needs of the client.

Large panels provide access to more products, giving the impression of greater independence. This may well be suitable for first-time buyers or borrowers who have broad objectives and want their broker to give guidance and recommendation on a wide spectrum of products.

Small panels, on the other hand, may be best suited to borrowers with very specific requirements, particularly those in the adverse market where the product range may be restricted. In these circumstances the client will undoubtedly be looking for very specific advice. A broker operating a small panel is likely to have more specialist knowledge of their panel which could have positive benefits to clients with special circumstances where the market is narrow.

Borrowers should always ask their broker at the outset about the range of products they have available.

Many lenders offer advantages in niche areas such as shared ownership, but by restricting panels, the borrower may not get the best deals Paul Winter