

PURPOSE

This procedure supports Mortgage Advisers at Impact Financial Services when concerns arise regarding the accuracy, completeness or consistency of information provided by a client.

The purpose of this procedure is to:

- protect clients and advisers
- reduce fraud and financial crime risk
- ensure compliance with FCA expectations
- ensure advice is based on accurate information
- create a clear escalation and verification framework
- protect the firm from regulatory and reputational risk

This procedure applies to all mortgage-related business including:

- residential mortgages
- Buy to Let mortgages
- HMO lending
- limited company borrowing
- product transfers
- remortgages
- bridging or specialist finance enquiries

CORE PRINCIPLE

Mortgage advisers must always act with honesty, integrity and professional scepticism. If something does not appear consistent, reasonable or fully evidenced, advisers must not ignore concerns simply to progress a case.

The adviser is not expected to act as a fraud investigator, however they are expected to:

- identify inconsistencies
- ask reasonable questions
- obtain supporting evidence
- escalate concerns where appropriate

EXAMPLES OF POTENTIAL CONCERNS

Income Concerns

- income inconsistent with occupation
- large unexplained cash deposits
- sudden increase in income shortly before application
- different income figures across documents
- undeclared secondary income
- SA302s inconsistent with bank statements
- business accounts not matching declared income
- payslips appearing altered or inconsistent

Employment Concerns

- employer cannot be verified
- newly created company with unusually high salary
- family employment structures lacking evidence
- employment start date inconsistent with history
- suspicious reference letters

Deposit Concerns

- unexplained gifted deposit
- large transfers from overseas
- source of funds unclear
- cash deposits without explanation
- multiple third-party transfers
- rapid movement of funds between accounts

Property Concerns

- purchase price appears inflated
- significant discrepancy between valuation and agreed price
- unusual incentives not disclosed
- occupancy intentions unclear
- potential undisclosed HMO use
- concerns regarding ex-local authority restrictions

General Behavioural Concerns

- client reluctant to provide documentation
- client pushing adviser to ignore information
- inconsistent explanations
- documents provided in unusual formats only
- pressure to submit quickly without verification
- client asks adviser to "change" or omit information

ADVISER RESPONSIBILITIES

Mortgage advisers must:

- verify information reasonably and proportionately
- ask further questions where concerns arise
- maintain clear file notes
- retain supporting evidence
- escalate material concerns
- avoid assumptions
- never knowingly submit inaccurate information

Advisers must never:

- alter client documents
- encourage misrepresentation
- ignore suspicious inconsistencies
- submit applications with knowingly incorrect information
- coach clients to mislead lenders

INITIAL VERIFICATION STEPS

1. Re-check Fact Find Information

Review income figures, expenditure, employment details, deposit information, liabilities and declared intentions. Check consistency across the Fact Find, application forms, lender documents, and discussions and notes.

2. Request Supporting Evidence

- payslips
- SA302s
- Tax Year Overviews
- bank statements
- business bank statements
- accountant certificates
- proof of deposit
- proof of source of funds
- company accounts
- tenancy agreements
- ID and address verification

3. Compare Documentation

- declared income vs bank credits
- salary vs employer information
- business turnover vs affordability
- declared commitments vs statements
- source of deposit vs account activity

EXAMPLE VERIFICATION QUESTIONS

The purpose of these questions is not to accuse clients, but to ensure information provided to lenders is accurate and complete.

Income Verification

- Could you please explain the difference between the income discussed and the credits showing on the bank statements?
- Is any part of your income received in cash or through another account?
- Can you confirm whether this income is regular or one-off?
- Do you receive dividends, overtime or bonuses separately?
- Could you provide the latest SA302s and Tax Year Overviews?
- Can you explain the recent increase in income?

Self-Employed Verification

- How long has the business been trading?
- Are all business earnings declared through HMRC?
- Can you confirm whether personal expenses are paid from the business account?
- Do you retain profits within the company?
- Could you provide recent business bank statements?

Deposit & Source of Funds

- Can you explain the source of the deposit?
- Is any part of the deposit gifted?
- Could you provide evidence of savings accumulation?
- What is the reason for the recent transfer into the account?
- Are any funds coming from overseas?

Occupancy & Property

- Will the property be owner occupied or rented?
- Do you intend to let rooms individually?
- Has the property ever been used as an HMO?
- Are there any planned structural works or conversions?

General Clarification

- Could you help me understand this discrepancy?
- Is there any additional context the lender should be aware of?
- Can you confirm all information provided is accurate and complete?

REASONABLE CLARIFICATION PROCESS

- speak with the client professionally
- ask neutral and factual questions
- avoid accusations
- give the client opportunity to clarify
- document explanations clearly in file notes

"I noticed the income on the bank statements differs from the figures discussed during the application. Could you please help clarify this for me so I can ensure the lender receives accurate information?"

ESCALATION PROCEDURE

The adviser must escalate concerns to the Line Manager, Mortgage Manager, T&C Manager or Compliance where:

- inconsistencies remain unresolved
- documentation appears suspicious
- information may be inaccurate
- potential fraud indicators exist
- the adviser is uncomfortable proceeding

Escalation should occur before submission.

FILE NOTES

Clear file notes are mandatory and should include:

- what concern was identified
- what questions were asked
- what documents were requested
- client explanations
- outcome of review
- escalation actions taken

Good file notes are essential for FCA reviews, internal audits, complaint handling and adviser protection.

GOOD PRACTICE vs BAD PRACTICE

✓ Good Practice

- asking follow-up questions professionally
- requesting supporting documentation
- keeping detailed file notes
- escalating concerns early
- using neutral and factual wording
- verifying unusual transactions
- challenging inconsistencies respectfully
- using Open Banking where appropriate

✗ Bad Practice

- ignoring inconsistencies to progress the case
- accepting verbal explanations without evidence
- encouraging clients to omit information
- editing or altering documents
- submitting applications despite concerns
- avoiding escalation due to pressure or targets
- using phrases such as "the lender will never notice"

Good example: Adviser notices undeclared income credits on statements and requests clarification together with updated affordability assessment before proceeding. Outcome: correct information submitted, proper audit trail maintained, client protected from unsuitable borrowing.

Bad example: Adviser notices income on bank statements is significantly lower than declared on the application but proceeds without clarification. Potential consequences: mortgage fraud concerns, lender decline, FCA breach, complaint risk, adviser disciplinary action.

CASE STUDY 1 – SELF-EMPLOYED CLIENT

A self-employed client declares annual income of £75,000. However, business bank statements show significantly lower trading activity, and large unexplained transfers are entering the account from another individual.

Good Adviser Response

- adviser requests SA302s and Tax Year Overviews
- adviser asks for explanation of transfers
- adviser escalates concerns to manager before submission
- file notes are completed fully

Outcome: Client explains transfers were temporary family loans and updated affordability is completed correctly.

CASE STUDY 2 – OCCUPANCY CONCERN

Client states the property will be owner occupied. During conversation the client mentions “friends may rent rooms later”.

Good Adviser Response

- adviser clarifies intended occupancy
- explains lender requirements regarding HMO use
- documents conversation clearly
- recommends appropriate lender/product if needed

Bad Adviser Response

- adviser ignores comments to avoid complications
- residential mortgage submitted despite likely HMO use

Potential consequences: mortgage fraud allegations, policy breach, repossession risk, FCA and lender investigation.

CASE STUDY 3 – GIFTED DEPOSIT

Client provides large deposit from overseas.

Good Adviser Response

- requests source of funds evidence
- requests gifted deposit letter where applicable
- verifies AML documentation
- documents rationale clearly

Bad Adviser Response

- accepts funds explanation verbally only
- does not request supporting evidence
- submits case immediately due to completion pressure

FRAUD PREVENTION

Mortgage fraud can include:

- income manipulation
- occupancy fraud
- false employment
- undisclosed debts
- fake documents
- deposit misrepresentation
- undisclosed incentives

If fraud is suspected, the application must not proceed, management/compliance must be informed, and further guidance must be obtained. Advisers must not confront clients aggressively or make accusations.

VULNERABLE CLIENTS

- advisers should provide additional support
- ensure understanding
- avoid pressure
- document communication carefully

Language barriers or low financial understanding should not automatically be treated as suspicious behaviour.

USE OF TECHNOLOGY & SYSTEMS

- Pro System audit trails
- Open Banking where appropriate
- lender verification tools
- AML systems
- affordability systems
- internal compliance monitoring

All uploaded documentation should be retained securely within approved systems.

ADVISER PROTECTION

If an adviser feels uncomfortable progressing a case they have the right to pause the application, request additional oversight, or decline to proceed. Impact Financial Services will support advisers acting in good faith to protect compliance and clients.

CONSUMER DUTY

- accurate advice benefits the client
- inaccurate information may harm the client
- unsuitable borrowing creates long-term risks

Consumer Duty requires advisers to act in the client's best interests while maintaining integrity and regulatory standards.

FINAL REMINDER

If something does not feel right: verify, question, document, escalate if needed.

A delayed application is always preferable to a non-compliant or potentially fraudulent application.

Internal Use Only

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