

# Improving the way you give advice: Affordability

## In this factsheet:

[Introduction](#)[Good practice](#)

### This factsheet is for you if:

- You are a mortgage broker.

This is the first in a series of factsheets we will publish in the coming months about the processes you go through before giving your advice.

Earlier this year we reviewed the way firms provide advice. We have identified areas which you must focus on and make improvements where necessary.

This first factsheet is focused on the way you assess your customers' affordability.

## Introduction

[back](#)

It is your responsibility to assess affordability before recommending a mortgage. It is not acceptable to:

- get customers to sign a declaration stating they can afford the mortgage repayments without assessing affordability.
- rely solely on the lender's criteria.
- fail to assess clients with high net worth, high salaries or where the loan to value is low.
- use out of date information, for example when clients are remortgaging.

You must assess and demonstrate the mortgage is affordable for your customer over the repayment term. This means working with your customer to record their income and expenditure, so that you can properly assess whether they will be able to afford monthly repayments.

## Good practice

[back](#)

To help you improve your assessments of affordability we have outlined some examples of good practice found during our visits to firms.

### Detailed budget planner

[back](#)

The firm used this within a fact find to identify a disposable income figure.

It discussed the figure with the customer and agreed how much income he could commit towards the mortgage. All this information was clearly recorded so the customer could understand the calculations.

The figure was documented as the budget figure for the monthly mortgage repayment.

### Buffer zone policy

[back](#)

The firm added a buffer zone into all affordability calculations to allow for expenditure by the customer on unexpected emergencies.

The amount of buffer was established with the customer as part of the fact find after completing a detailed budget planner and reaching a figure for disposable income.

### Bank statements

[back](#)

To ensure accurate and realistic budget plans, the firm asked for customers' bank statements to record and verify the accuracy of outgoings such as day-to-day expenditure.

### Typical household bill estimates

[back](#)

Sometimes customers could not provide details of household expenditure or the figures provided looked unrealistic, so the firm used typical figures for utility bills and other outgoings for similar sized households to help customers assess their position.

### Retirement considerations

[back](#)

When the mortgage term ran into retirement the firm requested documentation such as annual pension statements so it had evidence of future potential retirement income.