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## Mortgage firms probed over arrears practices

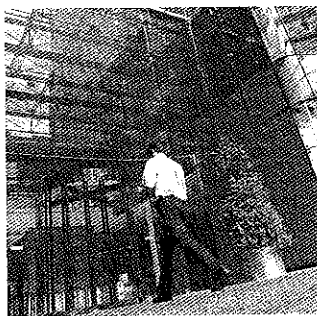
Six companies may face fines as FSA investigates suspected failures

The Financial Services Authority (FSA) has confirmed that it is investigating six mortgage firms for their handling of mortgage arrears.

The cases follow recent investigations into GMAC-RFC and Kensington Mortgage Company, both of which resulted in heavy fines for the lenders due to failures in their treatment of customers in mortgage arrears.

A spokesperson for the FSA said: "We have six mortgage arrears and mortgage finance cases still under investigation. They are currently under investigation by our enforcement and financial crime division."

Last month the FSA fined Kensington Mortgage Company £1.225m for 'serious failings' in



The FSA may take "robust" action

its treatment of customers in arrears. Kensington is now facing costs of £1.066m in redress for customers in arrears who have been charged unfair or excessive arrears charges.

On the Kensington case, Margaret Cole, director of enforcement and financial crime

at the FSA, said: "This case should serve as a strong reminder to firms dealing with retail customers, especially customers in a vulnerable position such as those with mortgage arrears, that the FSA will take robust action" where it sees that customers are not treated fairly."

She added: "Retail firms which fail in their obligations to customers should expect not only a substantial fine but also that they will have to pay back customers who have been disadvantaged."

In October 2009, the FSA fined GMAC-RFC £2.8m for unfair treatment of customers, and secured redress of up to £7.7m, plus interest, for over 46,000 mortgage customers.

### DEBT PURCHASE

#### DBSG's new era

The Debt Buyers and Sellers Group (DBSG) is poised to enter a new era and take a more acute focus on debt purchasers' needs.

Leigh Berkley, DBSG chairman and chief executive of debt buyer Tessera Group, said: "There are issues on which lobbying needs to be separate from the Credit Services Association."

He said the DBSG is undertaking actions to give debt buyers a louder voice. These include putting in a submission to government revealing the cost to companies of sending statements to last known addresses of gone aways. Debt buyers are forced to do so under amendments to the Consumer Credit Act.

Other plans include the DBSG carrying out audits on buyers before a creditor agrees to sell debts. The group has also created a data quality working party to enable creditors to provide better information to buyers.

#### FSA investigates Rock director

The third director at Northern Rock being investigated over arrears figures has resigned.

David Jones, former finance director at Northern Rock, resigned to help the Financial Services Authority (FSA) with its enquiries into if he was complicit in misreporting mortgage arrears figures.

The FSA has already fined David Baker, ex deputy chief executive at the bank, £504,000 and Richard Barclay, former managing credit director, £140,000 for hiding the arrears figures.

### INSOLVENCY

## Jump in director bankruptcies in 2009

### EXCLUSIVE

Director bankruptcies have shot up during the recession as banks increasingly call in personal guarantees on company loans, according to an exclusive study by RSM Tenon for *Credit Today*.

Analysis from RSM Tenon Tracker shows that director bankruptcies rocketed by 18.6 per cent in 2009 – nearly double the increase in personal bankruptcies as a whole during the same year, which only rose by ten per cent.

During the credit crunch, directors have had to pump their own money into their business using personal credit cards, or stop taking a salary in order to prop up the company.

Carl Jackson, head of the recovery division of RSM Tenon,

said: "Company directors tend to have considerable personal stakes in their businesses – many are required to personally guarantee debts to creditors and, particularly in the case of smaller businesses, can end up personally injecting additional working capital to allow the company to operate."

Jackson added: "As a result, a director's fate is closely tied to that of his company and leaves the door open for personal financial difficulties to creep in if the business starts to struggle."

Last year there were 567 director bankruptcies, compared to 478 in 2008.

Mark Sands, RSM Tenon's head of bankruptcy, added that increasingly in corporate bankruptcies, directors' credit



Mark Sands: RSM Tenon

card loans are listed in the statement of affairs. He added that during the downturn it has been harder for directors to gain lump sums of cash through the sale of personal properties due to the sharp decline in house prices.