



MANDATORY MORTGAGE ADVICE FOR FIRST TIME BUYERS

A PROPORTIONATE REGULATORY
EVOLUTION UNDER CONSUMER DUTY



Paradigm
MORTGAGE SERVICES



INTRODUCTION

The UK mortgage market has undergone significant regulatory and structural change in recent years. Yet one cohort remains consistently exposed to foreseeable harm: first-time buyers (FTBs). As execution-only (EO) pathways expand and regulatory safeguards shift, it is increasingly necessary to assess whether the current framework aligns with the FCA's expectations under the Consumer Duty, particularly regarding vulnerability and foreseeable harm.

First-Time Buyers and the FCA's Vulnerability Framework

The FCA's vulnerability guidance (FG21/1) defines vulnerability as circumstances that make consumers especially susceptible to harm. FTBs frequently exhibit multiple vulnerability indicators:

- Limited experience with long-term financial products
- Lower financial resilience
- High emotional investment in the home-buying process
- Significant information asymmetry relative to lenders and intermediaries

Under the Consumer Duty, firms must deliver good outcomes for all customers, with enhanced protections for those with characteristics of vulnerability. On this basis, FTBs constitute a group requiring systematic, not discretionary, protection.

Removal of the Advice Trigger: Regulatory Context and Implications

A significant regulatory shift occurred on 22 July 2025, when the FCA published PS25/11 as part of its Mortgage Rule Review. This policy statement removed the long-standing “interaction trigger” for advice within MCOB - a mechanism that previously required lenders to move a customer into an advised sale if they expressed uncertainty or sought guidance.

The removal of this trigger has three material consequences:

1. Greater permissibility of execution-only pathways, even where vulnerability indicators are present,
2. Reduced structural prompts for firms to identify and support customers who may require advice, and,
3. Increased reliance on consumers to self-diagnose their advice needs, which is inconsistent with FCA evidence on consumer understanding.

While there is no published evidence of industry lobbying, the commercial incentives for EO expansion are clear. However, the regulatory question is not whether EO is commercially efficient, but whether it is compatible with Consumer Duty outcomes for FTBs?





The FCA's Pure Protection Market Study: Evidence of Systemic Under-Protection

The FCA's Pure Protection Market Study interim report, published 29 January 2026, provides critical context for the mortgage market. The FCA found that:

- 58% of UK adults do not hold any pure protection product
- 72% of identified protection needs are unmet
- Low awareness, misunderstanding of product purpose, and lack of prompts during key financial decisions are major contributors to the protection gap

These findings are directly relevant to mortgage regulation. The home-buying process is one of the most appropriate and impactful moments for consumers to consider protection. Yet without advice, many FTBs will not receive any structured assessment of their protection needs.

The FCA's own research reinforces that relying on consumers to self-identify protection requirements is ineffective. This strengthens the case for mandatory advice as a mechanism to close the protection gap at a critical life stage.

Industry Perspective:

“We fully support Paradigm's views with regards to it being mandatory that all FTBs must receive advice. Regulation is designed to protect the vulnerable, and at present, it is falling short for this group. The FCA have confirmed numerous times that this group benefits from advice and should actively seek it, therefore make it mandatory asap to protect them.”



Sebastian Murphy, Director, JLM Network

Trade Body perspective

"AMI strongly supports the principle that advice is essential for first-time buyers. Purchasing a home for the first time is one of the most significant and complex financial decisions a consumer will ever make, and for many, it will be their first meaningful engagement with the broader financial system, including protection.

First-time buyers face a unique combination of challenges: limited experience of long-term financial commitments, a knowledge gap on not just appropriate mortgage options but also the home buying process and the emotional pressure of a high-stakes transaction. These are precisely the circumstances in which advice delivers the most value, not just in securing the right mortgage product, but in ensuring consumers understand their affordability position, the implications of their choices over the long term and the importance of protecting what they are buying.

The FCA's own Consumer Duty framework is clear. Firms must act to prevent causing foreseeable harm and deliver good outcomes, particularly for those with characteristics of vulnerability. The removal of the advice interaction trigger, combined with the potential expansion of execution-only pathways, creates a real risk that first-time buyers navigate this process without the guidance they need. The FCA's Pure Protection Market Study has further underlined that without a structured advice process, critical conversations on protection simply do not happen.

AMI believes that ensuring all first-time buyers access mortgage advice is essential to meeting the spirit and intent of Consumer Duty, closing the protection gap at a critical life stage and building the long-term financial resilience of this important consumer group. **Advice is not a luxury for first-time buyers, it is a necessity.**



Stephanie Charman, Chief Executive, Association of Mortgage Intermediaries





Learning from the Cost of Pension Mis-Selling

The UK’s experience with pension mis-selling provides a clear illustration of the long-term consequences of allowing consumers to make complex, high-stakes financial decisions without adequate safeguards. Over the past decade, unsuitable pension transfers and mis-sold retirement products have resulted in billions of pounds in redress, extensive regulatory intervention, and a measurable erosion of consumer trust in financial services.

The regulatory response - including the introduction of mandatory advice for defined benefit transfers above £30,000 - was driven not only by the financial cost of remediation, but by the recognition that preventing harm is significantly more effective and less damaging than compensating for it after the fact.

This precedent is directly relevant to the mortgage market. FTBs face similarly high-stakes, long-term decisions, often with limited financial experience and multiple vulnerability indicators. The removal of the mortgage advice trigger, combined with the expansion of execution-only pathways, increases the risk that consumers may proceed without the structured support necessary to make informed decisions. Mandatory advice for FTBs would therefore represent a proportionate, preventative measure, aligned with the Consumer Duty’s emphasis on avoiding foreseeable harm and ensuring good outcomes. It would also help protect the industry from the financial and reputational consequences that arise when systemic consumer detriment goes unaddressed.

Precedent for Mandatory Advice: Defined Benefit Pension Transfers

The FCA already mandates regulated advice for defined benefit (DB) pension transfers above £30,000, recognising the irreversible nature of the decision and the potential for significant consumer harm. The parallels with FTB mortgage decisions are clear. Both involve:

DB Pension Transfers	First-Time Buyers
High financial stakes	High Financial stakes
Long-term, often irreversible commitments	Long-term, often irreversible commitments
Complex decision-making	Complex mortgage and protection considerations
High potential for consumer harm	High potential for consumer harm
A strong rationale for mandatory advice	Advice optional (EO permitted)

New Lender Perspective:

“For first time buyers, taking that step onto the housing ladder can feel more like an unsurmountable leap - high stakes, limited experience, significant information overload from multiple sources; aunties, social media, well-meaning friends. It can be a hugely stressful time, made worse for those who do not have an mortgage advisor on hand to steady the ship.

The advice gap in the UK is not a niche problem. It is a systemic one. The data on protection gaps makes clear that without a structured advice process, too many critical conversations simply never happen.

Execution only might look like a commercially sensible efficiency from the outside, but for a first-time buyer this can be the difference between an enjoyable milestone in your life and a decades-long financial commitment that feels overwhelming and confusing.

First time buyers of the future deserve better than execution only and restricted advice. We must continue on the trajectory of greater financial empowerment, and advice for all consumers.”

Rachael Hunnisett, Director of Mortgage Distribution, April Mortgages



Risks of Execution-Only for First-Time Buyers

Execution-only assumes that consumers can independently identify and select suitable mortgage products. For FTBs, this assumption is inconsistent with FCA evidence on consumer understanding.

Foreseeable harms include:

- Selecting an unsuitable mortgage structure
- Misunderstanding affordability risks in a volatile rate environment
- Failing to consider lender-specific criteria affecting future borrowing
- Missing essential protection conversations

These risks are not hypothetical; they are predictable and preventable.





Existing Lender Safeguards

Several major lenders already recognise the heightened risks faced by certain first-time buyers, insisting that borrowers receive advice before accessing high loan-to-value (90%+) products. These internal policies reflect an acknowledgement that higher-risk, higher-commitment lending warrants professional guidance and that mandatory advice is neither new or untested. Rather, it reflects a clear precedent: where vulnerability and complexity increase, advice becomes essential.

Specialist Lender Perspective:

“Many first-time buyers are navigating non-standard income patterns, complex affordability considerations, or uncertainty about how different product structures work in practice. These are areas where clear, regulated advice is not just helpful – it is essential. Making advice mandatory would provide consistency across the market and ensure that borrowers understand the long-term implications of their choices and are matched with products that accurately fit their circumstances. As a specialist intermediary lender, the value of advice is particularly evident: it is the safeguard that turns the potential high-risk moment into an informed, positive step onto the property ladder.”



Adrian Moloney, Group Lending Distribution Director, OSB Group



Lender Perspective:

“First-time buyers are often facing the biggest financial commitment of their lives – which is exciting, but can be overwhelming. Mandatory advice feels like a potentially sensible safety net, which warrants further consideration. Many people might be tempted to turn to online tools or AI for advice – but there’s no substitute for genuine, regulated advice when you’re making such a significant, long-term decision.”

Jonathan Stinton, Head of Intermediary Relationships, Coventry Building Society

Mandatory Advice: A Proportionate and Targeted Intervention

Introducing mandatory advice for all FTBs - whether delivered by independent FCA-regulated advisers or lender-employed advisers - would:

- Strengthen alignment with Consumer Duty outcomes
- Provide consistent, structured support at a critical financial juncture
- Reduce foreseeable harm
- Embed protection needs analysis
- Improve long-term financial resilience

This is not a critique of lenders. Many lender-based advisers deliver high-quality advice. Rather, it is a recognition that advice - in any compliant form - is a minimum safeguard for a vulnerable consumer group making a high-stakes, long-term financial commitment.

Independent advice remains preferable where possible, due to whole-of-market access and impartiality. However, lender advice is unquestionably superior to no advice at all.





Conclusion: A Necessary and Proportionate Evolution



The convergence of three developments - the removal of the advice trigger, the expansion of execution-only pathways, and the FCA's confirmation that 58% of adults lack pure protection - creates a clear regulatory inflection point.

Mandatory advice for FTBs is not a radical intervention. It is a proportionate, evidence-based evolution aligned with the FCA's own findings and the principles of the Consumer Duty.

In a market where the stakes are so high, and where vulnerability is inherent rather than incidental, advice should not be optional.

Bob Hunt. CEO Paradigm

