FSA reports mortgage sales hit new low

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Mortgage sales between 1 April 2010 and 31 March 2011 reached their lowest level since the FSA began recording data in the second quarter of 2005.

The Financial Services Authority (FSA) today (31 August) published its annual product sales data (PSD) report for regulated mortgage contracts, retail investment products and pure protection products for the period between April 2010 and March 2011.
Overall, the FSA reported mortgage sales declined by 7 per cent from 2009 to 2010 to 2010 to 2011.
Of all the lenders that reported mortgage sales using PSD, the top five accounted for about 62 per cent of all sales by volume, the top 10 for 83 per cent and the top 20 for 94 per cent.
These figures reflect the trend towards increased firm concentration as a result of mergers and acquisitions in recent years.
Looking at sales by type of provider firms, large banking institutions account for a substantial 83 per cent of the market, followed by building societies and credit unions (8.6 per cent).
The remainder is accounted for by non-deposit takers, overseas banks and small provider firms.
Sales of mortgages to first-time buyers, remortgagers and home movers all fell in 2010 to 2011 compared with 2009 to 2010.
Although still the most popular type, the proportion of new fixed interest rate mortgages declined significantly from 63 per cent in 2009 to 2010 to 53 per cent in 2010 to 2011.
Initial rates on fixed interest rate mortgages have been consistently higher than variable rates but the gap is shrinking.
The proportion of interest-only mortgages with an unknown repayment vehicle has continued to decline from 13.5 per cent in the second quarter of 2010 to 10.8 per cent in the first three months of 2011.
The average age of first-time buyers has shown a mild but steady increase since the second quarter of 2005.
Aggregate sales of retail products in 2010 to 2011 declined 0.6 per cent from 2009 to 2010, with marked variation across product types: most accumulation pension products saw substantial expansions, while structured capital at risk products (Scarps), endowments and decumulation pension products (income drawdown products and

annuities) contracted.
Pension products represented the majority of retail investment products (55 per cent).
The number of selling firms in the market for retail products was significantly more volatile than the number of provider firms and seems to be affected by market conditions.
The FSA suspected that the growth in sales observed for the majority of accumulation pension products (occupational, group personal and personal pension products and Sipps) does not represent an increase in savings coming from new money but rather shifts between different providers and products.
The combination of high unemployment, declining real household incomes and economic uncertainty has undermined people's ability – or willingness – to focus on longer-term savings goals, according to the regulator.
Precautionary savings have taken precedence, the watchdog added.
Sales of pure protection products fell slightly – by 1 per cent – in 2010 to 2011 compared with 2009 to 2010, driven by income protection and standalone critical illness products (which declined by 7.7 per cent and 25.6 per cent respectively).
In contrast, sales of critical illness sold as a rider benefit expanded by 2.8 per cent.
The decline in mortgage sales has hit both sellers and providers of pure protection contracts.
The trend has been towards a higher market concentration.
In all three markets for pure protection contracts, the market share of the five largest provider firms exceeded 60 per cent.
The concentration was highest in the standalone critical illness market, which is the smallest market in terms of sales and also has the lowest number of providers;
Banks and building societies also gained substantial market share as providers, to the detriment of insurance companies.