

From: Brian Meaton
To: amsa@btconnect.com
Sent: Tuesday, December 19, 2006 9:47 AM
Subject: Your waiver application

Your attention is drawn to the warning notice at the end of this message.

As I mentioned yesterday I need to consult colleagues within the FSA regarding this application. This is the response of a message I received this morning. Our understanding is that CML only provides funds and take security on the old (or existing property) when the borrower vacates the old/existing property and moves into the new property. At this point the borrower is neither dwelling in the old/existing property (or intending to dwell there). The question therefore arises as to whether the definition of a Regulated Mortgage Contract is met?

It would be helpful therefore need if you could answer the following

(a) Under what occupancy conditions (with regard to the borrower and the old/existing property) will CML release funds and take security on the old/existing property?

(b) Under agreement between CML and the borrower, does the borrower give up rights of occupancy to the old/existing property?

If the borrower does not dwell, or intend to dwell, in the old property (or has no rights to dwell) then the funds released do not constitute RMC's and it would seem to us that CML are not engaged in regulated activities (unless they do other activities that are regulated, e.g. conventional lending). We assume CML took independent legal advice about the need to be authorised if so are you able to let me know what it was they said.

I look forward to hearing from you
Kind regards

Brian Meaton

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