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From: Meryl Morgan

To: amsa@btconnect.com

Cc: Toby Tyler

Sent: Thursday, January 18, 2007 11:21 AM

Subject: Estate Agents and Credit Brokerage Licence

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Anthony,

I confirm our recent telephone conversations. As Chain Mender is not a Regulated Mortgage Contract (as defined by the Financial Services and Markets Act 2000 ("FSMA")) and could be used to purchase land to be occupied by a borrower or his relative as a home, the estate agents would need credit brokerage licences now (even though Chain Mender is currently not regulated by the Consumer Credit Act 1974 ("CCA") as the credit provided is more than £25,000).

Chain Mender Limited will not need a CCA licence until 6th April 2008 when the current £25,000 limit for CCA agreements is generally abolished.

We have discussed Chain Mender Limited establishing a company to act as a "middle man" between the estate agent and Chain Mender Limited so that the estate agents would submit the completed application forms to the middle man and then the middle man would submit them to Chain Mender Limited. This submission of the completed application forms by the estate agents to the middle man still constitutes credit brokerage as there is direct communication between the estate agents and the middle man. The only possible exception is if the middle man is a "qualifying broker" (ie a person who can introduce a RMC to a source of credit without contravening FSMA) and the product which he is introducing is a RMC. As Chain Mender is not a RMC, this middle man exception will not work.

Accordingly, each estate agent will need a credit brokerage licence now to offer Chain Mender, unless you restrict the use of Chain Mender so that no element of it could be used to purchase another home for a borrower or his relative. Please note however, that even if you restrict Chain Mender in this way, the estate agents will need credit brokerage licences for Chain Mender from 6 April 2008.

A more detailed advice note is attached for your information. Please let me know how you wish to proceed.

Regards,

Meryl.

Meryl Morgan | Partner | **Banking**

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