

PERSPECTIVE

For professionals in the UK property market

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Welcome

Welcome to our latest edition of Perspective. The housing news of the last few months has rightly been dominated by the tragedy at Grenfell Tower – the consequences of which we will continue to see for some time as increasing numbers of blocks are tested, passed and failed by the authorities.

In this edition, two articles address the risk issues highlighted by the tragedy. 'What now for High Rise living' examines how, despite temptation, we need a considered response in light of the tragedy not a reactionary one. 'Natural Selection' uncovers the history and the complex nature of components and building systems and how they should inform our understanding of property.

Innovation is happening everywhere in building yet lenders and consumers still have no universal Quality Assurance system for these new components and systems. If the market cannot provide this, we believe there is a role for a National Standards Agency.

Of course, it's rare that we ever have an edition of Perspective without having to consider some regulatory imperative. This issue focuses on the impact of the European General Data Protection Regulation (GDPR) due in April 2018 that poses challenges for all of us throughout the entire mortgage lending value chain. Personal data flows through our businesses like water but leaks now carry large financial risks.

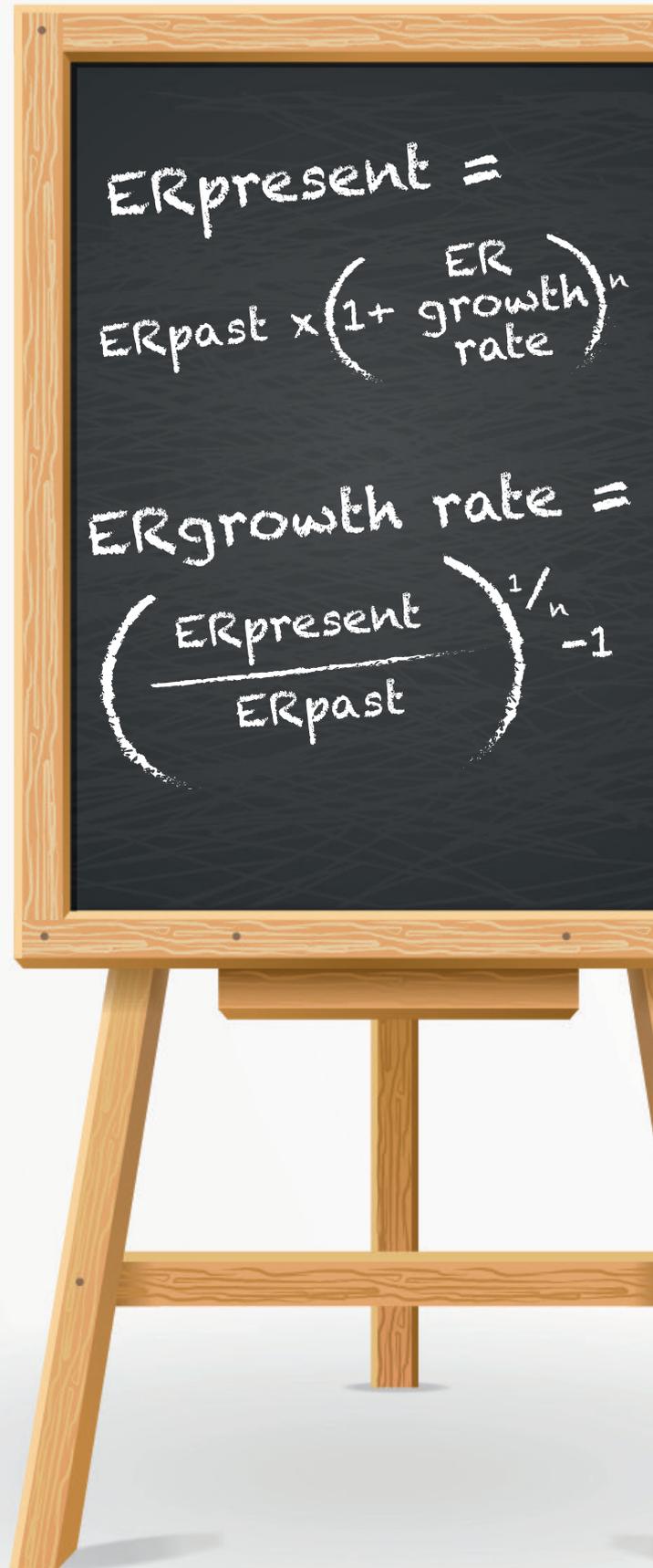
Equity Release is a market we have become very familiar with in the last few years and the importance of understanding the risks in this swiftly growing market have never been more acute. The value of the property, at the beginning and the end of the contract, is central to everyone getting the deal helps them live their lives.

Finally, Rob Sinclair answers our questions on the market, GDPR, as well as the future of Buy-to-Let and New Build from the brokers' point of view.

Lastly, thank you for your kind words and feedback. Once again can I say we enjoy discussing our thoughts with you and addressing the topics that concern you and your business.

Thank you for your custom.

Kevin Webb
Managing Director



Lessons well learned – the real value of Equity Release

Equity Release is undergoing a renaissance after inglorious beginnings in the early 1980's. Recent research from Key Retirement reported how Equity Release lending will likely surpass £3bn in 2017 after breaking the £2bn barrier last year. £1.25bn of property wealth was released in the first half of 2017, with plan sales soaring by 44% and the value released increasing by 33% from the first half of last year.

In case there is any doubt about the growth in this market, the total number of plans sold is expected to rise from 27,666 last year to 40,000 this year. All this is against a backdrop of homeowners' equity reaching an astonishing £2.6tn last year — and that's just in England. According to the Equity Research Council's (ERC) latest report, of this vast sum, £1.8tn of it belongs to households aged 55 or more.

Equity Release has been a 'market waiting to happen' for many years. It is a difficult sales process and certainly slower. But the changing demographics of the UK and evolving attitudes and priorities to wealth in later life are fuelling significant behavioural changes. The importance of passing on wealth or assets to relatives seems to be diminishing. The reasons are surely intertwined with the minefield of inheritance tax and the sheer length of most people's retired life — thanks to our ageing of society. There is less to pass on. The product is increasingly being used for debt repayment — including paying off items such as school fees, home improvements and car finance.

It's common for advances to be used for multiple things, such as helping a first-time buyer get a deposit. Typical advances are between £70,625 to £76,301 and more loans are being used for home improvements rather than on luxuries like going on holiday.

The generation of 'you can't have what you can't afford' and 'neither a borrower nor a lender be' are being superseded by the baby boomers who over their lifetimes have borrowed and earned more than any other generation. They have also spent more and increasingly, with the abolition of generous defined benefit pension schemes, will have saved less. Leaving money for the kids is not the number one priority for baby boomers. These pensioners are therefore turning to Equity Release as a possible retirement finance option. This open-minded approach of the baby boomers is certainly contributing to the rising sales within the market.

Open-mindedness is often the bed fellow of economic need. We should not ignore the fact that we are currently in the first wave of interest-only maturities which runs until 2020. Figures from Leeds Building Society show that 450,000 people on an interest-only mortgage are about to reach the end of their term. Almost 136,000 interest-only mortgages are due to mature this year alone, worth almost £16bn. Of those, it is reported that one in four borrowers does not have the means to pay the mortgage off. This is important because in these circumstances Equity Release is a distress purchase and desperate buyers can unknowingly agree deals in haste and repent at leisure.

For lenders, one of the most important factors of an Equity Release plan is the valuation of the property. Physical inspections are a standard part of Equity Release application process and remain important not only important during the application process but also when the property is being sold.

The complex nature of the financial product, and its potential for serving up a vulnerable clientele, mean the value of the property and its subsequent performance is crucial. Lending policies can vary but largely insist that the property itself should be of standard construction; however certain non-standard build-types are acceptable subject to valuer approval. This could be concrete block, or timber frame, albeit the properties should usually be of a recent build. Another condition Equity Release schemes demand is a minimum property valuation of £70,000 and if it's a leasehold property there needs to be at least 75 years remaining.

The correct use of Equity Release as a financial mechanic for solving a host of issues of older citizens running out of money, and the continuing shrinking of housing transactions in the conventional residential market, means that there is plenty of opportunity for mistakes to be made in this burgeoning market. Lenders will be keen to avoid the litigation and reputational risk that often accompany ill thought out forays into new markets that are growing quickly. Understanding the value of the asset was never more important.

What now for High Rise?

The deadly fire at Grenfell Tower was the worst tower block conflagration the UK has ever seen. The implications for lenders may, at first glance, appear clear, but tower blocks are far from homogeneous and the lending industry's response should be considered not reactionary.

What is emerging in the aftermath of the tragedy is a complex picture of contractors and sub-contractors, building components and systems. But the lessons should go beyond the culpability of individuals and single components. Focus on the individual role will highlight the areas of inattention, forgetfulness and carelessness. But this approach is in itself not enough. It isolates unsafe acts from their context, thus making it very hard to uncover and eliminate recurrent error traps within the system. A holistic approach on the issues of failure recognises the complexity that results from the interaction of a number of factors. Errors can be identified as being shaped and provoked by 'upstream' factors, which may include an organisation's strategy, its culture and the approach of management towards risk and uncertainty. The disaster was made possible by decades of regulatory confusion over the fire testing of cladding and insulation, as well as warnings made by fire safety experts that authorities and the building industry failed to heed. There was no single cause of the tragic 24-story Grenfell Tower blaze. Over and above construction type and renovation materials, many have already pointed to the compounding impact of the lack of dual staircases, lack of sprinklers both outside and inside, and sub-standard fire doors – none of which at this time appear to have violated the law.

High Rise has always presented issues for lenders. For some, the term means more than 5 storeys, others more than 8, or even 10. Then there are hybrid approaches that permit lending only up to certain floors (e.g. up to the 8th floor but not beyond). From understanding the real value of floor space in studio flats to issues surrounding communal facilities such as the number and position and size of lifts, value can change and impact the type and volume of potential resale buyers. Having a lift may sound important but if it cannot withstand modern pushchairs, wheelchairs, or deliver access to private car parking, then buyers will be deterred. Confidence in the resale value therefore affects a lot of lender guidance and nowhere is this more true than in the case of Local Authority blocks. Over and above worries about the occupation mix, affecting resale values, the build type is often problematic. Ex Local Authority large panel High Rise (typically more than 20 storeys) remain a problem for the majority of lenders and many make blanket restrictions that impact newer private modern blocks in prime areas. Not all lenders automatically decline Local

Authority blocks but, where they do lend on them, they like to see the majority of these flats in private ownership, and will not accept blocks with shared balcony or deck access. This can often mean that they remain unlikely to lend on many ex Local Authority High Rise flats except in some affluent areas of London.

If we consider when and why these flats were built we can immediately see why views on their values alter. High Rises built in the 1950s through to 1970s were developed in inner city areas by local authorities in order to satisfy the post war housing need. They are older blocks now and often in need of maintenance that can drive up service charges to undertake communal repairs or upgrades that can incur large costs. The problem is exacerbated by the construction methods of the time that employed large concrete panel systems, many of which have deteriorated. The construction methods may have a limited remaining viable life and servicing and maintenance costs can be steep, unpredictable and sudden. Others were built using High Alumina cement (HAC) which again, in some cases, have suffered deterioration in concrete strength and increased vulnerability to chemical attack. It is partly for these reasons that lenders have been reluctant to accept these High Rise properties. Ultimately, High Rise buildings in certain situations are expensive and more problematic to maintain and repair – even more so if these blocks have been poorly managed. Even when repairs are made, the removal of one system for another can be problematic. Fire safety experts warned as much as 18 years ago that the cladding used on buildings such as Grenfell Tower—used to improve both energy efficiency and aesthetics—posed a deadly threat because it essentially turns a High Rise into a chimney, funnelling the heat upwards because it's 'breathing space' between cladding panels allowing oxygen to enter and partly because 'the cladding was made of aluminium and polyethylene'. 'Ethyl' means a petroleum byproduct. And while petroleum by products may be good for heating and cooling insulation, petroleum burns.

More recent High Rise development has tended to have been built over the past 10 to 15 years, again mainly in inner city areas and perhaps more noticeably in and around London and other major UK cities. In many cases, these developments have been in response to the growth in Buy to Let demand. The problem then is that many of these more recent developments experience a very high level of rented occupation which can then lead to block management issues resulting in poor levels of maintenance and repair. Multiple private ownership, ironically, can dissolve or dilute responsibility. This can then lead to an adverse impact on values and re-sale prospects. Furthermore, contemporary High Rise can still become problematic as some modern build techniques are not proven in terms of longevity of the materials being used which leads to a reluctance on the part of lenders to accept these types of construction given their experience of older builds.



Residential valuers are not expected to be experts in the field of fire safety but should have at least a basic knowledge of the requirements of Part B of the Building Regulations.

High Rise then is a complex area that requires a case by case approach. Valuers at least offer a clear pathway to understanding the property risks, in particular given that the results of the government's testing indicate that the problem of combustible retro-fitted insulation and cladding is widespread. The valuer must be clear that the building is firstly safe and that the flat is saleable in the current market. The issue of fire safety applies to all residential properties, not just High Rise flats with external cladding. The modern trend for open plan living also raises a number of concerns regarding compartmentation and means of escape.

Residential valuers are not expected to be experts in the field of fire safety but should have at least a basic knowledge of the requirements of Part B of the Building Regulations. More relevant however is the valuer's regard to UK Appendix 10 of the Red Book. paragraph 6, states that valuers may assume that, 'All required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with. It is not necessary for the valuer to make enquiries into town planning and other matters... No deleterious or hazardous materials have been used in the construction. However, if the limited inspection indicates that there are such materials, this must be reported.'

It continues, 'the lender should be advised of any obvious, recent and significant alterations and extensions, so that the lender's legal adviser is alerted to the possible need to make enquiries.'

So clearly valuers need to be alert to any evidence of recent cladding or other significant alterations and should report accordingly. The report should contain an explicit statement that they are assumed to comply with the appropriate regulations and this is to be investigated by the conveyancer and referred back if necessary.

With regard the resale of the flat it is likely that there will be an adverse market reaction affecting the saleability of flats in High Rise blocks. This will particularly affect flats in council-built blocks with retro-fit external cladding, at least until they are either declared be safe or are brought up to standard. Valuers should not overreact, but it is essential that they think carefully about saleability and are alert for any changes in their local markets.

High Rise is a challenging area for lenders and valuers but a more forensic knowledge of the geography, build history and usage can allow us to more accurately understand the risks. A learning journey is only just begun.



GDPR – data needs to be in safe hands

The General Data Protection Regulation (GDPR), due in April of next year, will govern how businesses process individuals' data across all EU member countries, eventually replacing the UK's Data Protection Act. Unlike the current regime, the Regulation will be imposed directly onto the countries' legal systems, rather than leaving them free to enforce it under their own national legislation.

The General Data Protection Regulation (GDPR), due to come into force on 25 May 2018, will govern how businesses process individuals' data across all EU member countries. It will replace the UK's Data Protection Act and be enacted in the UK regardless of Brexit. The regulation will raise the bar in terms of the processes surrounding how companies collect, use and store data.

The changes present organisations with some very tough challenges indeed. Decades of transactional legacy systems (often held together by makeshift processes) must now reflect a regulatory focus on personal data that is end-to-end. Consumers will have the right to opt out of being profiled according to their interests and behaviour unless they have previously consented or it is required in the terms of a contract with a company. Companies will also need to give specific and clear information on how personal data will be used.

GDPR sets a higher standard for consent compared to previous legislation, with consent requiring 'clear affirmative action' by consumers. This can include ticking a box on a website but silence, pre-ticked boxes and inactivity do not constitute consent. Therefore, individuals will be able to exercise enhanced rights including the 'right to be forgotten', and the 'right of data portability'.

The risks to lenders (and other owners and processors of personal data) of GDPR failures are significant. These increased compliance requirements are backed by heavy financial penalties. The top tier of fines that can be imposed is up to £20m or 4% of annual worldwide turnover, whichever is greater. The fines apply to infringements of the basic principles for processing, including conditions for consent, data subjects' rights, the conditions for lawful international data transfers, specific obligations under national laws permitted by the GDPR, and orders by data protection authorities including suspension of data flows.

Individuals will also be able to sue entities for compensation, if they are distressed by acts of non-compliance. This has, of course, always been possible, but organisations should prepare themselves for the fact that under GDPR, claims frequency may increase. The landmark judgment of the Court of Appeal in *Vidal Hall & Ors v Google Inc* signalled the dawn of a new beginning for data protection litigants. Prior to this case, the law in England was relatively settled: that in order to incur civil liability under the Data Protection Act 1998, the claimant had to establish at least some form of pecuniary damage (unless the processing related to journalism, art or literature). However, the removal of Section 13(2) of the Data Protection Act has opened the door very much wider to claims as the vast majority of data breaches will cause little or no pecuniary loss; they go to privacy intrusion, or in other words, distress. Claims have certainly increased since *Vidal-Hall* and will be only likely to continue now the Supreme Court will not be overturning the decision.

All this presents some massive challenges to fragmented value chains such as those involved in mortgage lending. From the broker to the network, to the lender to the valuer, conveyancer and back again, there are many hand-off points of personal data that will require clarification of process and responsibility. The roles of the Data Controller, an entity that determines the purposes and means of processing personal data, and the Data Processor, anyone processing personal data on behalf of the Controller, will need to be clearly understood.

Equally understanding what is personal data and what is not will be a challenge. The key point is that if data can identify an individual it is personal. This means property data may remain outside of the scope however, any instruction to visit a property will involve handling an individual's contact details and at this point this data will become personal.



Key changes to EU data protection introduced by the GDPR

- More rigorous requirements for obtaining consent for collecting personal data.
- Raising the age of consent for collecting an individual's data from 13 to 16 years old.
- Requiring a company to delete data if it is no longer used for the purpose it was collected.
- Requiring a company to delete data if the individual revokes consent for the company to hold the data.
- Requiring companies to notify the EU government of data breaches in 72 hours of learning about the breach.
- Establishing a single national office for monitoring and handling complaints brought under the GDPR.
- Firms handling significant amounts of sensitive data or monitoring the behaviour of many consumers will be required to appoint a data protection officer.
- Fines up to £ 20m or 4% of a company's global revenue for its non-compliance.



Andrew Bickell,
Vice President
Global Professional &
Financial Risks
A division of Lockton
Companies LLP

Andrew Bickell, a Senior Vice President at Global Professional & Financial Risks, a division of Lockton Companies LLP, explains, 'PII has the potential to provide indemnity for legal liability arising from a GDPR breach, but only where a claim is made by a third party, and provided the claim arises in consequence of the provision of professional business. Additionally, PII may cover 80% of defence costs relating to any statutory proceedings against the Insured relating to a GDPR breach, provided defending such proceedings could protect the Insured (in the reasonable opinion of Insurers) against any claim from professional business undertaken by the Insured.'

For all companies in this chain, specialist Cyber Insurance can be structured to offer broad protection including, in the event of a loss of data, cover for the costs incurred in a investigation by the Information Commissioners Office. While PI will offer some coverage in the event of a network breach, it does not cover elements specifically undertaken by Cyber Insurance, such as breach response services, the restoration of data lost and any potential business interruption loss of revenue of additional increase cost of working.

Importantly, in the event of a breach, cyber insurance will cover notification costs and legal advice on how to best undertake the notification. Further, breach responses services include IT forensics to help diagnose and fix a network incident and PR consultants to prevent further reputational damage. PI coverage does not include these first party expenses, only responding when a third party claim is made against the Insured.

Andrew believes there is a considerable amount of work to be done. 'In summary, it is likely valuation companies are going to need both types of cover. Those engaged in valuations and private general practice work should already have both policies in place. This legislation is bringing that rigour to the entire supply chain. Processes and cover will require a forensic overhaul.'



Accreditation where accreditation is due

In April, the Communities and Local Government committee stated in its report 'Capacity in the homebuilding industry' that 'we support the increased use of Modern Methods of Construction (MMC) and note the understandable caution exercised by lenders. In order to address this, homes built using MMC should have a single, recognised quality assurance mark, sponsored by the Government, to give lenders, consumers and builders the confidence to use new methods.

It is clear that policy makers see MMC as a real opportunity to help, in part at least, fix our rather broken housing market. As a country we have not been building enough new homes for some time. Modern Methods of Construction could fulfil a vital role in delivering the boost in housing output that is required. Viewed this way, it's easy to see why policy makers understand that an accreditation system is an urgent requirement. But this is not without the significant challenge of firstly having to build a consensus of confidence around MMC that is not reflected among consumers or lenders.

As of today, MMC are not universally accepted within lending policies. Each lender has their own interpretation of standard construction and the types of property they lend against will depend on risk appetite – with many contributory factors at play. The decision to enter a different market or increase a product range requires a thorough understanding of the risks, the potential return on investment as well as their impact upon funding and business models. If a lender is considering MMC properties – whether that is to enable them to lend against a single property, a whole development or embed a new construction type fully into its lending criteria- accessing reliable, unbiased and clear information regarding MMCs can be difficult.

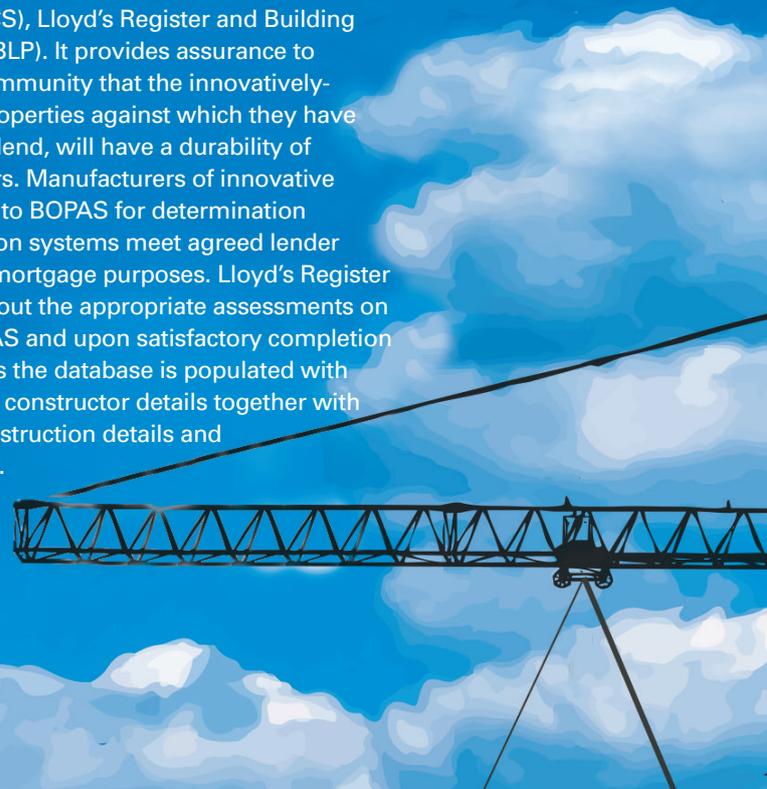
As for consumers, bricks and mortar and slate roofing remain the 'go to' build type – one reason why so many new builds are still clad in brick. Buyers embrace technology in other fields of endeavour but it's a long slow haul in housing construction. Consider the rate of change in terms of consumer requirement of housing design compared to housing build. In the year 2000, having one television in the living room, a telephone socket in the hall and no Internet access was perfectly

normal and acceptable. Fifteen years later the use of fixed (landline) home phones for making voice calls is becoming less important than access to superfast broadband to support Internet-connected TVs in multiple rooms, music streaming, game playing, security and remote control of heating and lighting. But any reticence on the part of buyers to embrace new technology in terms of build is not just the result of a lack of understanding.

Consumers face considerable issues when trying to insure MMC homes. Buildings insurance policies vary wildly. There is evidence that some firms decline all non-standard construction types and others perceive them as higher risk and will increase premiums accordingly. Clearly if we want to win hearts and minds, part of that is to ensure appropriate home insurance for MMC home buyers.

For lenders, two organisations appear to be in the running. BOPAS and NHBC are examples of where lenders can access some of the information needed. NHBC is the largest home warranty provider in the UK, currently insuring over 1.6m homes, with a market share of approximately 80%. The NHBC warranty will provide protection for ten years, with the builder putting right any damage caused by their failure to build to the NHBC Standards in the first two years and NHBC providing insurance cover for any failure thereafter where the builder has failed to comply with the NHBC requirements for elements such as foundations, walls, external cladding, and curtain walling.

BOPAS, the Buildoffsite Property Assurance Scheme (BOPAS) is a joint venture between Buildoffsite, the Royal Institution of Chartered Surveyors (RICS), Lloyd's Register and Building LifePlans Ltd (BLP). It provides assurance to the lending community that the innovatively-constructed properties against which they have been asked to lend, will have a durability of at least 60 years. Manufacturers of innovative systems apply to BOPAS for determination that construction systems meet agreed lender standards for mortgage purposes. Lloyd's Register and BLP carry out the appropriate assessments on behalf of BOPAS and upon satisfactory completion of assessments the database is populated with manufacturer / constructor details together with associated construction details and approved sites.



Whichever accreditation methodology wins out, it has to cover a range of products, but also the process of construction and the final building itself. The process accreditation has to evaluate best practice by manufacturers and constructors at each stage of project development, through concept, design, manufacture and construction so any certification can mitigate the risk of non-compliance with Building Regulations and reassure clients that investing in non-traditional construction systems will deliver consistent performance in terms of energy efficiency and longevity.

It is not yet clear how MMC properties will perform over the longer term, how desirable they will be, what maintenance costs they will have and if they will be as durable as traditionally built properties.

The reality remains: we cannot build enough new homes unless we improve confidence in Modern Methods of Construction. A national standards agency for construction will assure quality control and allow much needed data to be collated, providing lenders and home-owners with the assurances they need.



Natural selection

Buildings, like people, evolve. A property will age, may undergo considerable refurbishment, physical alteration, and go in and out of good condition. During the last 100 years the DNA of buildings has changed, together these elements paint a complex picture of residential building evolution.

The basic function of a building is to provide structurally sound and environmentally controlled spaces to house and protect occupants and contents. If this basic function is not achieved, it is because some aspect of the building has failed. Failures of basic building functions can range from defects in single components such as windows, to extensive deficiencies in an entire exterior wall system, to the inability of heating, ventilation and air conditioning systems to properly condition the air. The source of these deficiencies can include inadequate design, improper execution of the work, defective materials, or simply normal and expected aging perhaps coupled with lack of maintenance.

Building deficiencies such as water infiltration, fire risk or premature component failures may be an inevitable part of the future as building methods and components become more complex.

Certainly if we are to build at the scale we need the volume of build alone would suggest this might be the case. Builders are understandably unlikely to settle for traditional materials, components, and construction methods, when budget pressures make promising new components and building systems very appealing though, of course, long-term performance cannot be demonstrated. This is not an argument for not using new components and designs but simply a recognition that the behaviour of the elements together is as important as any individual component's performance in testing.

Any building is likely to be a mixture of brick, block, stone, concrete, timber and metal and contain building boards of fibre, plaster, asbestos, plywood, block and plastic. Combine just that list with the many different construction methods being used and you can quickly see why the number of behavioural outcome of a building undergoing severe stress is arguably infinite.

Architects will usually design a building using those materials which they and their client agree will suit the required use and projected life of the building and remain within the financial restraints applied. An overriding factor is the relevant building controls that will be applied to the proposed building. The building controls include ensuring that the behaviour of the materials used in the overall construction is acceptable

in case of events like fire. But in recent years, this has become increasing difficult. Architects have developed novel uses of traditional building materials and new materials have been developed that allow a freedom of design unobtainable even a few years ago.

The move from prescriptive to functional building control has encouraged experimentation with both design and materials. The architect may use any material provided he can demonstrate its compliance with the prerequisite standards of fire behaviour. The issue is that such freedom brings problems when materials are employed in unusual applications. The characteristics of the individual components of a building structure will be affected by other components. As we have seen recently with tragic results, this is particularly the case in a fire.

In this context we can see why any amount of testing can never be comprehensive enough to test for all eventualities. Any system of tests is designed to try and control the level of risk, in this example fire, to an acceptable standard. The fact that materials used in the construction have satisfactorily attained a test requirement will

not necessarily abolish the risk of fire or prevent it, it should, however, have a mitigating affect on fire development.

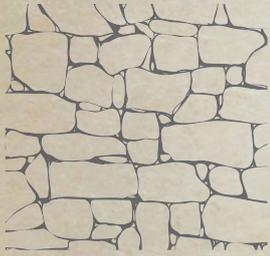
Finally, it's worth remembering that this debate should also focus on refurbishment. The documentation of the life of any buildings will reveal that they are, like our own lives, organic entities that age and evolve. As such they are subject often to upgrades, alteration and extension or even change of use. That new components are implemented into old systems, which may have or may not have good documented histories of previous specifications and changes, means these circumstances may demand greater scrutiny than any brand new build.

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ORIGIN OF THE SPECIES



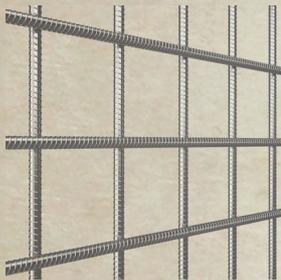
Pre 19th Century

Solid construction, often referred to as 'traditional' or 'masonry' construction, consists of load bearing external walls that support the floors and roof. The materials most commonly used were brick, concrete blocks or stone. This form of construction was almost universal during, and before, the 19th Century for all kinds of industrial and commercial buildings.



1896

Structural steel frame construction: This type of building has a great advantage from an architect's/designer's point of view in that, in its construction, the load of the floors and cladding is carried at each level by beams which, in turn, pass the load on to the columns. Within a skeleton framework floor space, divided in a variety of ways, can be provided and a suitable non-loadbearing cladding material used as a weather and insulation wall.



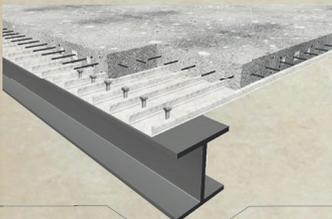
1900's

Reinforced concrete construction: The reinforced concrete frame was, when first used, treated as an alternative to steel frames i.e. the columns supported the main beams which, in turn, supported the floor slabs. This, however, gradually changed to a monolithic type of construction where the columns, beams and floors were cast integrally. There is a trend back to the original concept where the concrete floors are concrete slabs or planks laid between the beams. Another variation is to lay metal shuttering between beams and then, leaving the shuttering in place, lay a concrete floor on top.



1940's

Portal frame construction: This type of construction has largely been superseded by composite or modular construction but is still utilised satisfactorily using either concrete, steel or glulam timber methods. The columns and roof members are continuous requiring little or no internal bracing. This gives a large unencumbered storage or working area.



1990's

Composite construction: In this case the technology of lightweight structural steelworks is combined with the strength of precast concrete columns. Composite construction dominates the non-residential multi-storey building sector. This has been the case for over twenty years.



21st Century

Modular construction: The differences between modular systems, composite construction and precast construction are blurred but the main advantage of most modular systems is that, within certain parameters, prefabricated components can be used in an almost unlimited variety of ways.

View from the top

Robert Sinclair, Chief Executive at AMI and AFB, helped establish the Association of Mortgage Intermediaries (AMI) as an independent entity in 2012. He joined the former parent trade body, AIFA, in October 2006, initially looking after the Association of Finance Brokers. He looks after the day-to-day running of AMI and AFB delivering member information and services, lobbying regulators and policy-makers and developing press relations.



How do you and your members see the mortgage market developing over the next 12 months?

Overall we expect application and completion volumes to continue at recent levels. There has been a recent shift towards re-mortgage and product transfer and this should continue, with brokers now benefitting from better procurement fees. The significant fall in properties for sale through estate agents has hit the purchase market, but we continue to see positive growth in the New Build sector. The prospect of a rise in interest rates continues to move outwards. With inflation now looking near its peak and the economy not growing as much as was expected a year ago, we are quite a long way from needing a rate increase. Indeed some economists are now arguing for a withdrawal of asset purchase and quantitative easing prior to any rate increases. The regulatory agenda is as busy as at any time that I can remember.

We are still in the heat of the Competition Review, new proposals on the Financial Services Compensation Scheme are due and we are now tasked with agreeing on how to implement the new Senior Managers and Certification Regime. These are all likely to increase the cost of regulation and require firms to change the way they operate.

How do you foresee the European General Data Protection Regulation impacting the intermediary sales process?

The key change here would be that firms will need to have express consent from customers to process, retain and use their data. With effect from next May customers will have stronger rights to have their data deleted, however firms will have a right to retain where it is entirely relevant to their business.

Individuals will have additional rights if data is used for direct marketing purposes, profiling or automated decisions. This is particularly interesting in the context of automated advice as firms will have to ensure that individuals are able to obtain human intervention, express their point of view and obtain an explanation of the decision and challenge it.

Firms will need to begin changing their consents some time before May in order to remain within the new regulations. In addition the industry needs clarity on how long some data should be retained both to satisfy potential complaints and how far in retrospect a lender can ask for customer information in support of an application.

Do you agree that the valuation of Buy-to-Let portfolios will affect the volume of transactions and are brokers ready for this?

The new portfolio rules are still being interpreted by many lenders and brokers can expect a rush of communications and training courses in September. The new requirements to look at all properties in a portfolio is bound to have an adverse impact on the market in the short term, until brokers and landlords get to grips with the new rules. The age of any full valuation will need to be assessed, whether an AVM might be acceptable and some lenders may feel the need to assess the value against the current and likely future rental value, based on probable demand for that type of property. It is clear that as an industry we are not yet ready for this change, but in keeping with all the changes over the last decade, brokers will continue to adapt and evolve. Good brokers who have a professional understanding of the portfolio market will be able to succeed and continue to deliver quality landlords to lenders.

How could the process of New Build lending and valuing be improved for brokers?

It does appear strange that we still have to individually value all plots on what are often relatively standard developments. However the lender needs to be assured that they are getting a property which is sustainable and has the sales value. If anything, recent builder activity in the areas of leasehold, paying customers to move into incomplete properties and stories of builders demanding the use of their tame broker make it difficult to see progress. This generates a lack of trust that will be difficult to bridge. The key issue for this market in the months to come will be the future of Help to Buy and will we see continuing government support?

Is there any evidence amongst intermediaries to support the notion that Equity Release is now an established growth market?

The recent upward trend in Equity Release lending volumes owes a lot to consumers solving their Interest Only mortgage problem. However in addition the industry continues to see funds being raised to improve the same property, pass down generations and have some great holidays. It is undoubtedly a growth market with new lenders providing much needed funds at lower interest rates and reputational support. Whilst the two giants, Age Partnership and Key Retirement, own the PR space, it is evident that many firms now see this as core part of their business and any firm that is serious about the at retirement pensions market must have the option to look at Equity Release – whether by having the resource internally or through partnerships.