

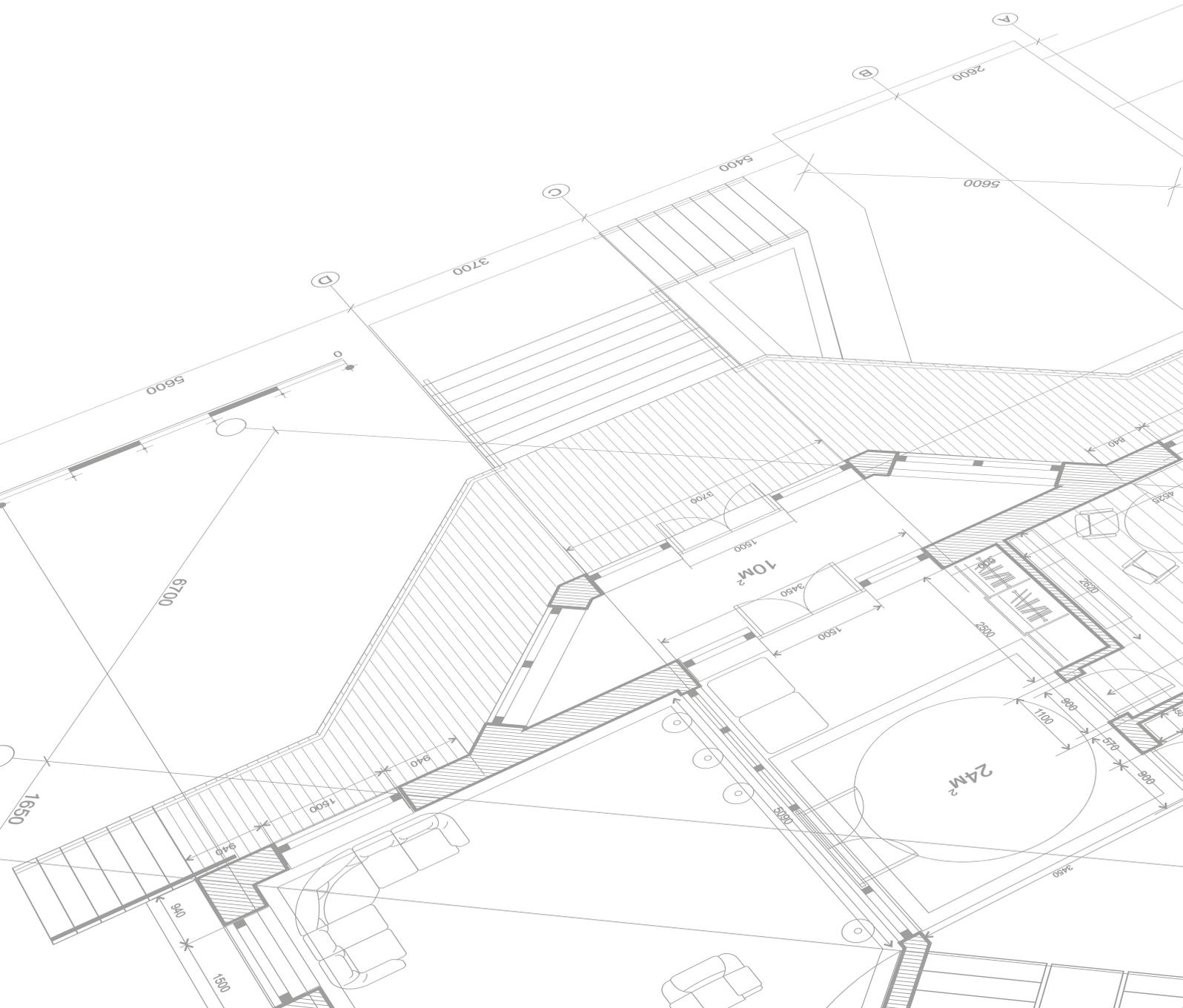
# Buying a mortgage without advice:

How we might help customers understand execution-only disclosures

A report for FCA by Revealing Reality

**REVEALING REALITY**

**FCA** FINANCIAL  
CONDUCT  
AUTHORITY





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## Introduction

**This document is intended to help the mortgage industry consider how best to inform customers about the differences between buying a mortgage execution-only and with advice.**

It follows research that explored with recent mortgage applicants how appealing and how clear they found several existing execution-only disclosure documents.

The research found execution-only customers generally understood that they were selecting their mortgage without receiving advice. However, it also revealed that customers who went down either application route – execution-only or advised – struggled to understand the disclosure documents that were tested.

This meant they were not always aware of the consequences of a decision to make an execution-only application, including what protections they would miss out on or what rights they would retain by choosing not to receive regulated advice.

This pamphlet presents opportunities and ideas for improvement based on the customer research, alongside illustrations of what is possible based on visual examples from the mortgage industry and other sectors.



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## What are customers' biggest problems with disclosure documents?

The research revealed customers face five major problems with existing execution-only disclosure documents, which it is useful to categorise as follows:



## Process

**How does the time at which customers receive the document and the ways it is distinguished from other documents affect customers' experience and understanding?**

**Problem:** The disclosure document 'get lost' among other documents.



## Content

**How does the language and information in the disclosure affect customers?**

**Problem:** Customers don't understand what protections they have.

**Problem:** Customers can struggle to understand the disclosure document as it often requires them to interpret technical language.



## Design

**How does the look and feel of the disclosure affect customers' experience and understanding?**

**Problem:** Customers miss or skim over essential information because the design makes the document unappealing or hard to navigate.

**Problem:** The disclosure document does not feel important.

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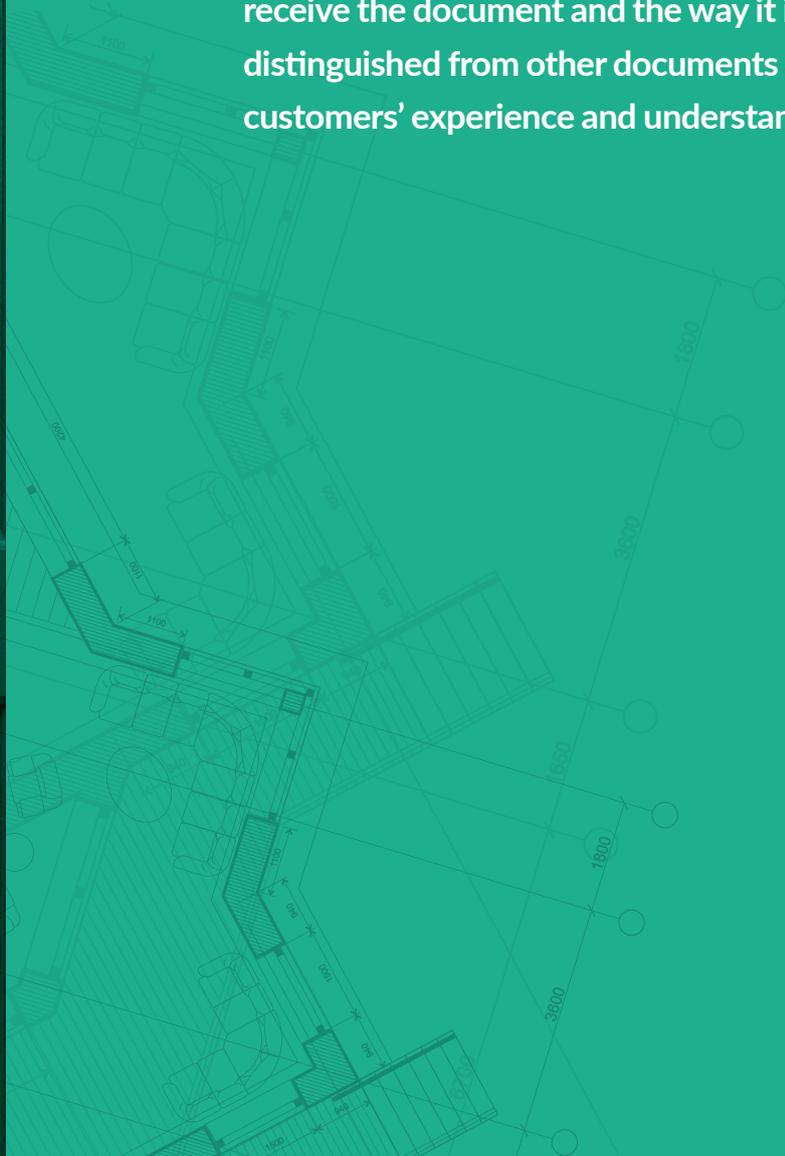
Addressing the shortcomings of the disclosure document would improve customers' understanding and experience of applying for a mortgage on an execution-only basis.

Each problem is explored throughout the rest of this document, with starting ideas for potential improvements.



# Process

How does the time at which customers receive the document and the way it is distinguished from other documents affect customers' experience and understanding?



# 1



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## The disclosure document ‘gets lost’ among other documents

Customers are often looking for ‘short-cuts’ through an application process that can feel long and complicated. These short-cuts can include skim-reading documents, with the risk that they will miss vital information.

The likelihood that customers will skip over the execution-only disclosure document is significantly increased by the fact that the **disclosure is given towards the end of the application process.**

By this stage, customers often simply want to ‘get it done’, they are focused on ‘getting my money’, or ‘getting my house’. **They are often not properly reading what is in front of them.**

*“Throughout the application I am so worried I will not get my money that by the end I am just signing whatever they give me.”*

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CLIVE, FIRST-TIME BUYER, ADVISED

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Under these circumstances, the message within the disclosure document simply **gets lost.**

*“I just checked that it was the right interest rate and length and signed it. I did not read it fully.”*

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NICK, INTERNAL SWITCHER, EXECUTION-ONLY

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## How might we help customers recognise they are choosing and agreeing to execution-only?

**Clearer and repeated signposting** that customers are going down an 'execution-only' path and clearer explanation of the implications of that choice earlier in the application journey – when they are generally more engaged with what they are reading – would increase the likelihood that they would take on the information.

The illustration on the following page is an example of a common journey for an execution-only customer. The decision not to get advice came before they received the disclosure document. Ensuring earlier signposting could mean customers are better equipped to make the decision.

**Repeating** messages about the implications of going down an execution-only route multiple times during the process should help ensure customers **remain informed**. As a comparison, in the research industry, it is good practice to seek 'process consent' or '**ongoing consent**'<sup>1</sup>, where the customer is repeatedly told their rights and how their data is being used.

Similarly, customers often recall mortgage advisers **repeating** back to them many times what they have said. This allows the adviser to know they are **selecting the right mortgage** for the customer, but also reassures the customer that their preferences have been heard and understood.

Following a similar process for choosing an execution-only application should mean both parties are clear what the customer has chosen and confident they have chosen the right path.

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<sup>1</sup> <https://www.ukdataservice.ac.uk/manage-data/legal-ethical/consent-data-sharing/gaining-consent>

# A COMMON EXECUTION-ONLY CUSTOMER JOURNEY

DO I KNOW WHAT MORTGAGE I WANT?

NO

DO I NEED MORE INFO TO CHOOSE A PRODUCT?

YES

DO I WANT TO SPEAK TO SOMEONE?

NO

**!** Decided to not get advice at this point

ONLINE RESEARCH

APPLIED ONLINE

DOCUMENTS REITERATING PRODUCT DETAILS

**!** Received disclosure document at this point  
Read and understood would be agreeing to not get advice

DO I AGREE?

YES

SIGNED EMAIL AND SENT BACK TO PROVIDER

Did not realise they had lost some FCA protections



# Content

How does the language and information in the disclosure affect customers?



# 2



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## Customers don't understand what protections they have

*“It’s saying that I have no protections left, that I am completely on my own. So, if anything goes wrong then I can’t complain to anyone.”*

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ANDREW, RE-MORTGAGER, ADVISED

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In general, customers have difficulty understanding what protections they have. Most customers who have received regulated advice aren't clear what protections they have and the people who make an execution-only application also struggle to understand what protections they are losing.

Customers feel some disclosure documents do not present this information clearly or help them understand.

Most customers assume they have **lost all FCA protections** by making an execution-only application.

When customers read more about the protections relating to the 'suitability' of their mortgage, they often misunderstand this to mean 'affordability'. Again, when customers read they are giving up 'suitability' protections, they take it to mean they are giving up **all** protections.

*“I guess I have no protections in place – I don’t know what would happen if I was off sick for six months and couldn’t repay my mortgage.”*

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SIMON, INTERNAL SWITCHER, EXECUTION-ONLY

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## How might we help customers better understand what rights they do and don't have under execution-only?

It is important to offer a clear and simple **explanation of the rights customers are losing**.

Customers feel the example below (fig.1) explains 'execution-only' better than some other examples. It uses three **bullet points** to clearly outline the conditions of going execution-only.

However, most customers feel it is still not clear enough about the **protections being lost**.

In addition, because most customers are confused about what rights customers they have, they also want a **clear and detailed explanation of what protections they keep** when they make an execution-only application. This helps them make a direct comparison between the decision they are making and the alternative.

### Execution-only

You have chosen to not receive advice from your broker or lender, and so have chosen for yourself the right mortgage for you. By doing this you are agreeing to the following:

- You will not receive any advice .....
- Company X will not assess .....
- You are waiving any protections .....

Figure 1

*"It would be great to have an explanation of what FCA protections we are losing and which ones we are not."*

TALIA, FIRST-TIME BUYER,  
EXECUTION-ONLY



# 3



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## Customers can struggle to understand the disclosure document as it often requires them to interpret technical language

*“I think it means that I am choosing the mortgage on my own?”*

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GRAHAM, FIRST-TIME BUYER, EXECUTION-ONLY

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Most customers understand the term ‘execution-only’ but this is usually as a result of **inferring** the meaning from the disclosure document. There is often not an **explicit** definition.

Other terms or concepts that customers need to understand to make an informed decision are harder to grasp. For instance, most customers simply do not understand what ‘suitability’ means, guessing – wrongly – that it refers to the ‘affordability’ of their mortgage.

*“Suitability I think would mean that if my house later got repossessed it would be my fault not theirs.”*

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PAM, HOME MOVER, ADVISED

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## How might we ensure customers understand important information about deciding to apply execution-only?

*“This document is about going execution-only. I wasn’t as sure with the others but this one is quite clear.”*

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KATH, FIRST-TIME BUYER, ADVISED

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**Simple, accessible language**, rather than industry **jargon**, is essential.

**Accessible** language means words and phrases that customers can understand without needing specialist knowledge. If customers have to guess the meaning there is a risk they will misunderstand or give up trying to understand.

If industry language is felt to be needed, for instance if a firm chooses to use the term ‘execution-only’, **clear explanations and definitions in lay terms** ensure important points are noticed and understood.

W Figures 2 and 3 are good, clear, definitions of terms.

Customers also find it helpful to be given a definition of ‘advice’, so that they can make a straightforward comparison with execution-only, solidifying the meaning in their mind.

### Execution-only

If you decide to switch your mortgage product with us online, you can choose for yourself which mortgage would best suit your needs. This is called buying on an ‘execution-only’ basis.

It means you are selecting the mortgage that fits your needs and we will not give you any advice or recommendations.

Figure 2

**Advice:** This is available through one of our mortgage advisers who will assess all your needs and recommend the right mortgage for you.

**Execution-only:** an execution-only mortgage means you are selecting a mortgage that is right for you. You are not receiving any advice or recommendation from us.

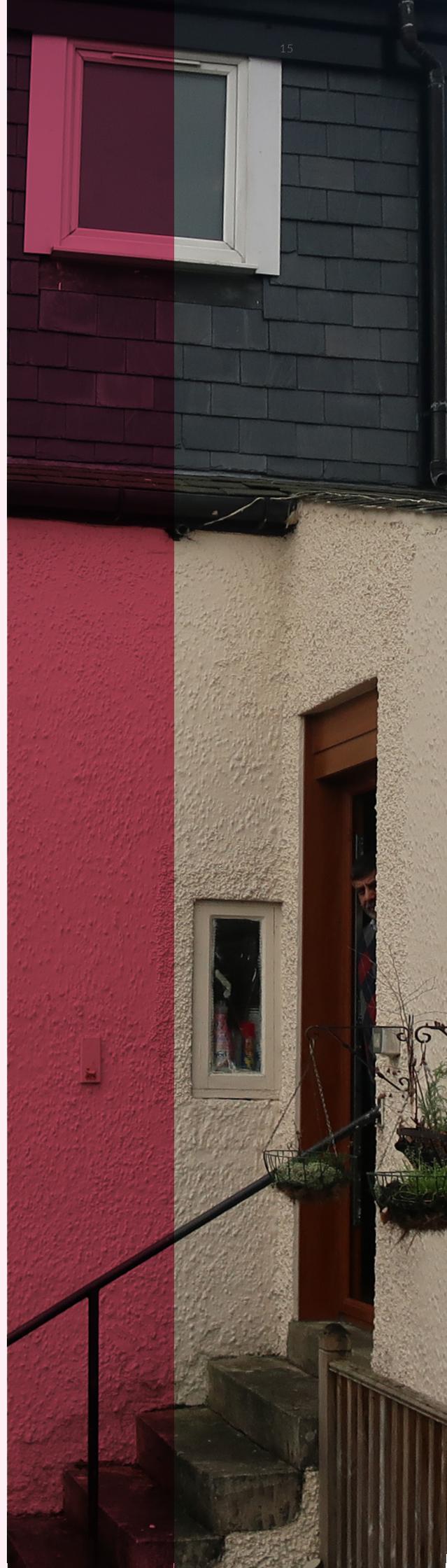
Figure 3

*“They need to include a clear definition of what execution-only means. I think most of these documents aren’t clear enough.”*

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SALLY, RE-MORTGAGER, ADVISED

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# Design

How does the look and feel of the disclosure affect customers?



# 4



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## Customers miss or skim over essential information because the design makes the document unappealing or hard to navigate

*“This is a mess. There are so many things going on, too many things to fill in. I don’t know where to start. It’s definitely not appealing to read.”*

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NICK, INTERNAL SWITCHER, EXECUTION-ONLY

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The layout of some execution-only disclosure documents makes it **hard for customers to read** and pull out the key information.

Customers often feel that little thought has been put into how the document ‘feels’ to read. For instance Figures 4 and 5 are examples of documents that are hard to read.

This means customers look only for information that feels most important to them and relates directly to their mortgage (such as checking the product they selected), **skimming other information.**

### Execution-only disclosure

- You have chosen a mortgage on an execution-only basis
- Execution-only means you are responsible for selecting the right mortgage for yourself, and so waive FCA protections which give you the right to redress if the mortgage is not right for your needs
- You may still have the right to redress if anything else goes wrong and we will still assess whether you can afford the mortgage
- For a full list of your protections see the drop-down menus below
- By signing and submitting this digital document you are agreeing to the following conditions
- You will not receive any advice and/or a personal recommendation from us as to whether the mortgage meets your specific requirements
- We will not be obliged to and will not assess the suitability of this mortgage to your individual needs and circumstances
- You are waiving any protections that the Financial Conduct Authority's regulations on mortgage suitability would bring to you

Figure 4

### Execution-Only Confirmation

Borrowers Name(s):

Mortgaged Property Address:

Telephone Number:

You have chosen a mortgage on an execution-only basis, which means that Company X has not provided you with advice and we will not assess whether you have chosen a mortgage that best fits your needs. By proceeding, you will not benefit from the protection of a Company X mortgage adviser's recommendation based on their understanding of your needs, which means you will not be entitled to redress if you do not select the right mortgage. However, you may still have the right to complain or redress if anything else goes wrong with your mortgage and we will still assess whether you can afford your mortgage. For us to process your application, please sign and return to confirm that you are aware of the consequences of not receiving advice on whether this mortgage from Company X best fits your needs and are happy to proceed on an execution-only basis.

For more information on the FCA protections you waive and the ones you keep, please see link xxxxxxxx

Should you decide you would prefer advice from a Company X mortgage advisor please call us on xxxxxxxxxxxx

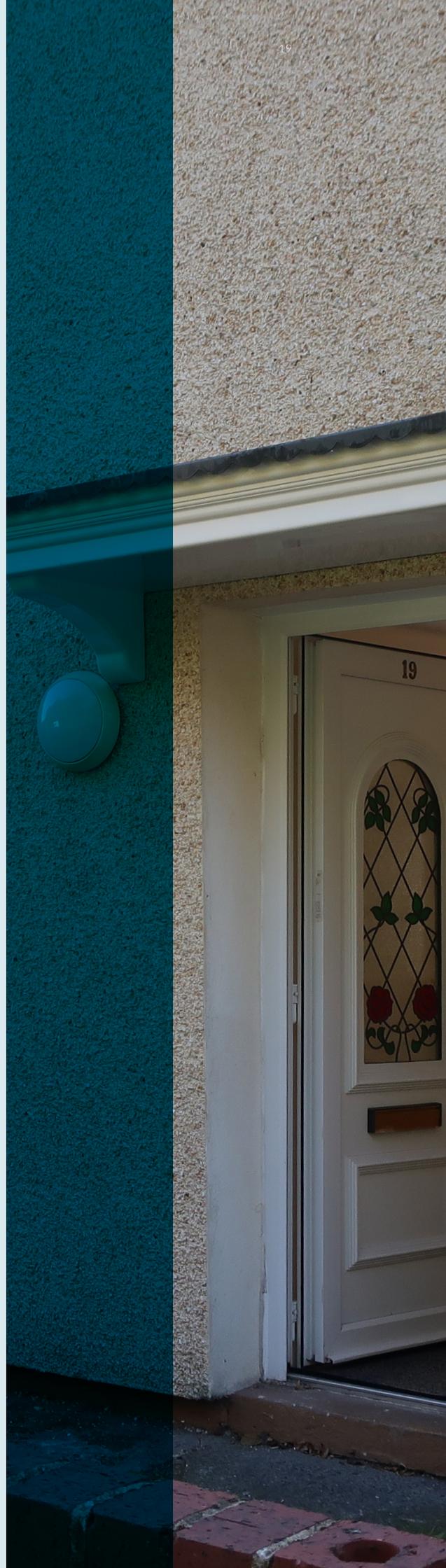
Figure 5

*“The flow is like they have just thrown things together, there are too many bullet points.”*

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ROSS, INTERNAL SWITCHER,  
EXECUTION-ONLY

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## How might we ensure the format of the document encourages customers to pay attention to key messages?

A **question and answer** format, such as in figure 6, feels friendlier and makes information easier to digest. It also provides cues that help navigation and highlight important information.

### **You have chosen to buy your mortgage without advice**

Please read this document and then sign if you understand and agree to below.

What have I chosen?

You have chosen to buy your mortgage without any advice or recommendation from us, this means you are selecting the right mortgage for your needs. This is called buying a mortgage on an **'execution-only'** basis.

This means you will not receive some FCA protections on whether the mortgage is right for you.

Which FCA protections am I waiving?

[Insert answer]

Which protections do I keep?

[Insert answer]

Where do I sign?

[Insert answer]

*“I find Q&As friendlier and it’s good that you can skip back and forward.”*

BARNEY, FIRST-TIME BUYER, ADVISED

Figure 6

Using **paragraphs and images** signals to the reader **which sections they need to read**. The first page of this document (fig. 7) allows the whole privacy statement to be summarised in **four bold sentences**. The rest of the document is **followed by longer, denser, text**.

*“It is easy to understand as it’s broken down into little bits, and it’s quite straight forward what each little bit is telling you. This was quite easy on the eye.”*

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PAM, HOME-MOVER, ADVISED

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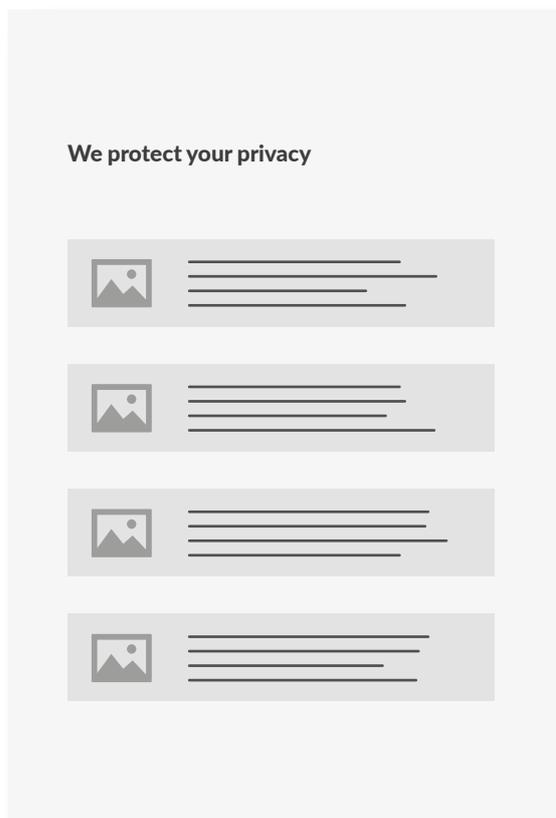


Figure 7

More detailed information could be offered, for example, in **drop-down boxes** on a digital document (fig. 8) or on a second page of a physical document.

The image shows a digital document interface with two main sections: 'MORTGAGE TYPES' and 'REPAYMENT TYPES'. Each section contains three items, each with an information icon (a lowercase 'i' in a teal circle) on the left and a downward-pointing chevron icon on the right, indicating a drop-down menu.

| MORTGAGE TYPES |                        |  |
|----------------|------------------------|--|
|                | FIXED RATE MORTGAGES   |  |
|                | TRACKER RATE MORTGAGES |  |
|                | OFFSET MORTGAGES       |  |

| REPAYMENT TYPES |                                |  |
|-----------------|--------------------------------|--|
|                 | CAPITAL AND INTEREST REPAYMENT |  |
|                 | INTEREST ONLY REPAYMENT        |  |

Figure 8

Alternatively, **links** can be used to **direct customers** to more detailed explanations. Figure 9 is an example of a part of a document which leads to further information about terms of service.

The image shows a list of five numbered questions, each on a separate line with a light gray background and a thin border. The questions are:

1. What does 'execution-only' mean?
2. What am I agreeing to?
3. What protections are kept?
4. What protections are lost?
5. Who can give me advice?

Figure 9

*“I like the idea of having a short or long version. I can see more information if I want it, but I am not being bombarded with it straight away.”*

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LEE, FIRST-TIME BUYER, ADVISED

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## The disclosure document does not feel important

*“I remember signing something at the end. I think I just double checked that it was the right product and then signed it.”*

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NICK, INTERNAL SWITCHER, EXECUTION-ONLY

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Most customers feel the disclosure document **looks very similar to other ‘financial documents’** they see, either as part of their mortgage application or other financial experiences. This can be reassuring when the style and design match their expectations of paperwork they need to complete.

However, it also means the disclosure document **does not stand out** as a document they need to pay attention to, in relation to the other parts of their application.

Customers don't think it is designed to stand out and engage them, so **they don't feel it is important.**

*“If I saw this during my application I doubt I would read it.”*

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JAMES, RE-MORTGAGER, ADVISED

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## How might we ensure the document feels important?

**Emotive headings** that address the reader directly often capture attention and persuade customers to read further.

The kind of ‘call to action’ in Figure 10 feels very different from other financial information presented to date. It grabs your **attention** while remaining **serious**.

*“I like that it draws you to it.”*

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SAMUEL, HOME MOVER, ADVISED

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EXECUTION-ONLY DISCLOSURE



Figure 10

Many customers feel the **use of signatures** (digital or physical), helps the document feel important. Simple 'tick boxes', such as in Figure 11, are too easy to agree to without much thought given.



**Figure 11**

*“If you are putting your name and signature on that paper, you need to know what you are agreeing to.”*

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PAUL, RE-MORTGAGER, EXECUTION-ONLY

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*“You have to think more about what you are saying, have to put in more information than just agree, it makes you think more about what you are doing.”*

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KELLY, FIRST-TIME BUYER, ADVISED

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However, customers recognise that they do sign things they haven't read in as much detail as they should. Most feel they pay more attention to documents that demand **both the signature and further information**, such as in figure 12.

**Signatures of Borrower (s)**

|            |   |   |
|------------|---|---|
| Borrower 1 |   |   |
| Date       | / | / |
| Borrower 2 |   |   |
| Date       | / | / |

Figure 12

*“Just a tick-box is too gimmicky, it doesn't look serious.”*

YVETTE, RE-MORTGAGER,  
EXECUTION-ONLY





*“You have to think more about what you are saying, have to put in more information than just agree, it makes you think more about what you are doing.”*

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KELLY, FIRST-TIME  
BUYER, ADVISED

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