

Further News About the Scope of FSA Regulation of Insurance and Mortgage Sales

FSA will shortly be publishing its final guidance on contracts of insurance (following CP150). One area of interest is extended warranty products. The Competition Commission appears to have endorsed FSA's view that many of the extended warranties (for domestic electrical goods) sold as service-backed products may amount to contracts of insurance. This may mean that the provider of the warranty is committing a criminal offence and consumers could be entitled to premium refunds.

For those selling "insured" warranties, it appears that the Treasury will not be revoking the potential exemption from regulation at NGI for retailers selling certain "connected contracts" of insurance relating to non-motor goods.

Following the Competition Commission Report, there will be legislation later this year covering all forms of extended warranty for domestic electrical goods. This will deal with the display of prices, a right of cancellation in favour of consumers and written quotations open for acceptance for 30 days. This is intended to deal with uncompetitive sales of extended warranties, particularly "in store."