

# Waiting in the wings

**Dale Jannels**, sales & marketing director at AToM, looks at how the relationship between lenders and packagers has changed and where it might go during 2010

**T** it was far from a wise lender spokesperson who once predicted, some years ago, the demise of the packager sector. At the time, the sector was on the march and in some instances the sole source of distribution for many new entrants and a large provider for many existing lenders.

Love them or loath them, packagers have always offered a service to both lenders and intermediaries. Effectively, we have provided both marketing and administration arms of the lender. Our operational structure has included fielding calls from brokers, weeding out cases that don't fit, replacing cases which fall out of bed post valuation, managing speedy product withdrawals/tranche allocations, searching out exclusive products, providing new avenues of income sources, and much, much more.

It may be said that the only thing we've not found in our armoury is the final release of funds, payment collection and monitoring arrears books. Undoubtedly, the service the sector has provided has delivered a valuable service to all, despite the many column inches in which some have craved to the contrary.

## The past

Let's take a step backwards for a moment. Prior to the first signs of looming problems (heralding the demise of Victoria, SPML, Advantage and other lenders) packagers were in a strong position with large volumes of business literally dropping onto their doorsteps. Some packagers had historically charged lenders simply to allow them over the doorstep. Others charged them cash for a lunchtime extravaganza. Many lenders still needed the distribution that packagers could provide and for some, this came at a cost, which at the time was happily met. Packagers could pick and choose who was on their panel and almost guarantee volumes of business to that lender if the exclusive product and

service was right. In return, attractive procurement fees were paid to brokers and everyone was happy.

Oh how the tables have turned. The Ferraris and Lamborghinis are a distant memory - I had a Volvo. As volume requirements were no longer a top priority and lenders unexpectedly exited, those who survived began to choose who they wished to distribute their products through or, indeed, if they still required distribution.

Packagers who had not cultivated professional relationships with lenders had the door firmly shut in their faces and their requests to be added to the panels of lenders not previously supported were refused. Worse, lenders started to drop packagers who were not flavour of the month and restricted usage to just a few. Packager procurement fee payments were reduced dramatically, exclusives generally vanished, valuation instructions were taken in-house and monthly funding allocations reduced. With this in mind, serious congratulations are due to those packagers who have survived and it demonstrates the resilience and financial propriety of those who have done so.

Certain lender actions caused a tinge of sadness too. High amongst this is the manner in which some lenders almost gleefully discarded the value of the long-term support which the packager sector had given to them over many years. Whilst a number of them hid behind the banner of controlling fraud (although didn't name and shame alleged culprits) when withdrawing the ability to instruct valuations, we all know that the real reason was one of income - plain and simple. What they failed to recognise was that their valuation fee scales were mostly higher than the packagers so the poor old consumer suffered. From a TCF (treating customers fairly) perspective this remains a concern.

## Looking forward

The brave new world is driven by re-



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lationship, communication and trust. We have all learned a great deal during the last 24 months. Many of us have diversified our businesses and maintained the ability to stay alive and await the brave new dawn.

Some lenders remain packager friendly even if they are unable to provide market leading rates and benefits. They have recognised that, once the hiatus caused by the credit crunch has passed and the wheels start to turn again, they will already be working with packagers who want to support them.

The consumer market is subject to a huge pent up demand which will one day (soon) manifest itself and many lenders will simply not be able to cope given their reduced sales, marketing and administration teams. Yet their bosses will demand results. Will this provide a familiar picture as we market, weed out, process, submit (et al). Bring it on.

Our view is that this may not happen soon but when it does we will be ready. The distribution market will not look, feel or smell the same but it is certain that, one day, lenders will look to recover market share and will need brokers and, particularly, packagers to help them do this quickly.

So, those left in the packager fraternity are definitely still in business. If anything, we're closer as a community than ever before. What 2010 will bring us is still anybody's guess. Our relationship with many lenders is tight and we are now working towards the same goals. The most important aspect is that together we seek to ensure that the needs of the consumer receive the best possible product and service to match their specific requirements.

Undoubtedly, the whole mortgage market needs new entrants and a slightly more realistic and relaxed approach to lending. With this in mind we all need to watch closely the potential of the forthcoming mortgage market review and respond to the consultation paper as a priority. **MFG**