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Do online trading platforms pose a threat to the future of master brokers?



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The mortgage arena is one of the most competitive financial markets in the UK and for those unable to adapt, evolve and develop their operations, remaining in business long-term will be impossible.

Every business in the mortgage sector is under stiff competition from its peers, as well as those looking to expand into new areas. As such, the challenge is to be able to offer business partners the support they need and develop the service they want in line with their changing requirements over the coming months and years. There have been a lot of comments made about the threat that IT poses to master brokers and there is no doubt that online trading platforms can use improving technology to their advantage.

However, for intermediaries who are serious about their business, offering best advice and delivering an excellent customer service to clients, then working with specialist partners is always going to be a must.

Master brokers have established themselves in the market and provide a specialist service built on the experience and knowledge they have in the secured loans sector. It is not simply about pointing an intermediary in the right direction when it comes to finding a secured loan for their client. Instead it is about liaising with that client directly and ensuring the best solution is found and efficiently managed through to completion.

This allows the master brokers to use their expertise to best effect, so clients get the service and solution they want and the brokers get on with managing other customers. And why would a lender want to get involved with the packaging, or a broker allow it, when a master broker can probably do it cheaper, more efficiently and consider the alternatives should the application start to go off the rails?

Of course IT is making the whole process slicker and sourcing products has never been easier. However, it is not always the information that we have which is important, but the way we use it. And master brokers are in a better position than anyone else when it comes to secured loans.

Online trading platforms are seen by some as making financial markets accessible to inexperienced newcomers. Our experts look at whether the technologies could make master brokers redundant

The secured loans industry has been growing over the last 12 or so months in line with the general rise in the level of personal borrowing. Unsurprisingly, the sector's boom is attracting new suppliers waking up to the fact that secured loans can bring in additional income streams. In

short, what was once prime territory for the traditional master broker is now far more competitive. However, even the largest master broker was once starting out and the challenges newcomers face to develop their commercial operation in the secured loans sector are well known.

The case of online trading platforms, particularly between IFAs and lenders, is no exception. Over the years, master brokers have developed significant expertise to ensure that the cooperation between themselves and the lenders – fundamental to the success of any loans brokerage – works to deliver what is best for the customer. And that is the difficulty such platforms have to overcome. Even if an improved lender interface were to become available to the IFA community, the relationship between master brokers and lenders will be hard to replace.

Additionally, master brokers introduce a large volume of business to the lender and as a result can secure better deals for the customer, better commission rates and sometimes better service. Other hurdles newcomers will come across are costs associated with compliance and regulation. These increasing demands on resources can deter smaller operators. Furthermore, the adoption of technology employed in master brokerage enables them to keep a competitive advantage over smaller and less technologically sophisticated firms, especially those coming from a different sector of the financial services arena.

Having said that, we don't really see the introduction of online trading platforms as developing conflict, but rather an opportunity to increase the size of the market. Because we operate different marketing strategies, target different audiences and even talk to customers in different ways, if the proposed platform leads to more customers becoming interested in what the secured loans industry has to offer, then everyone is bound to benefit.