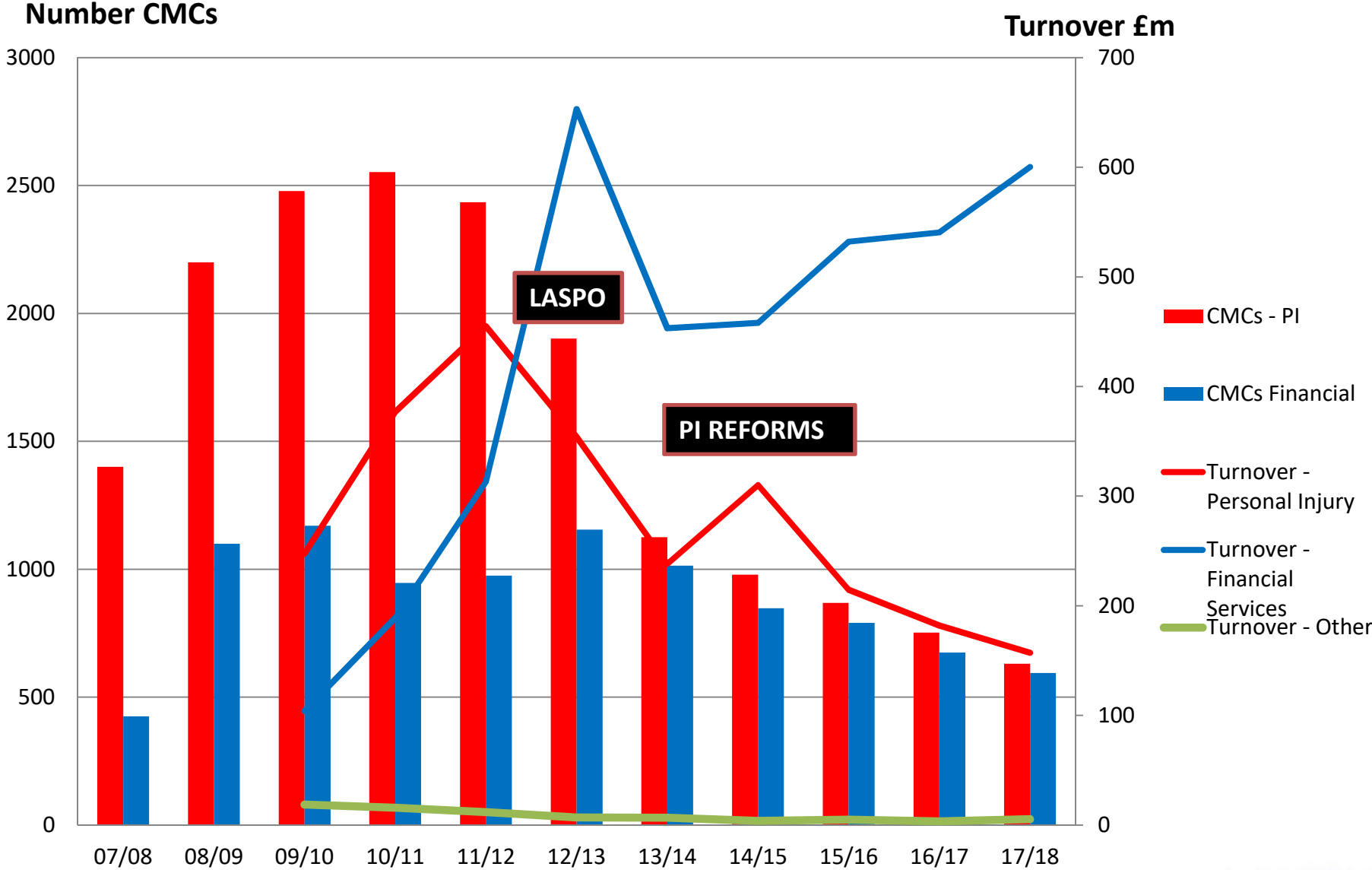


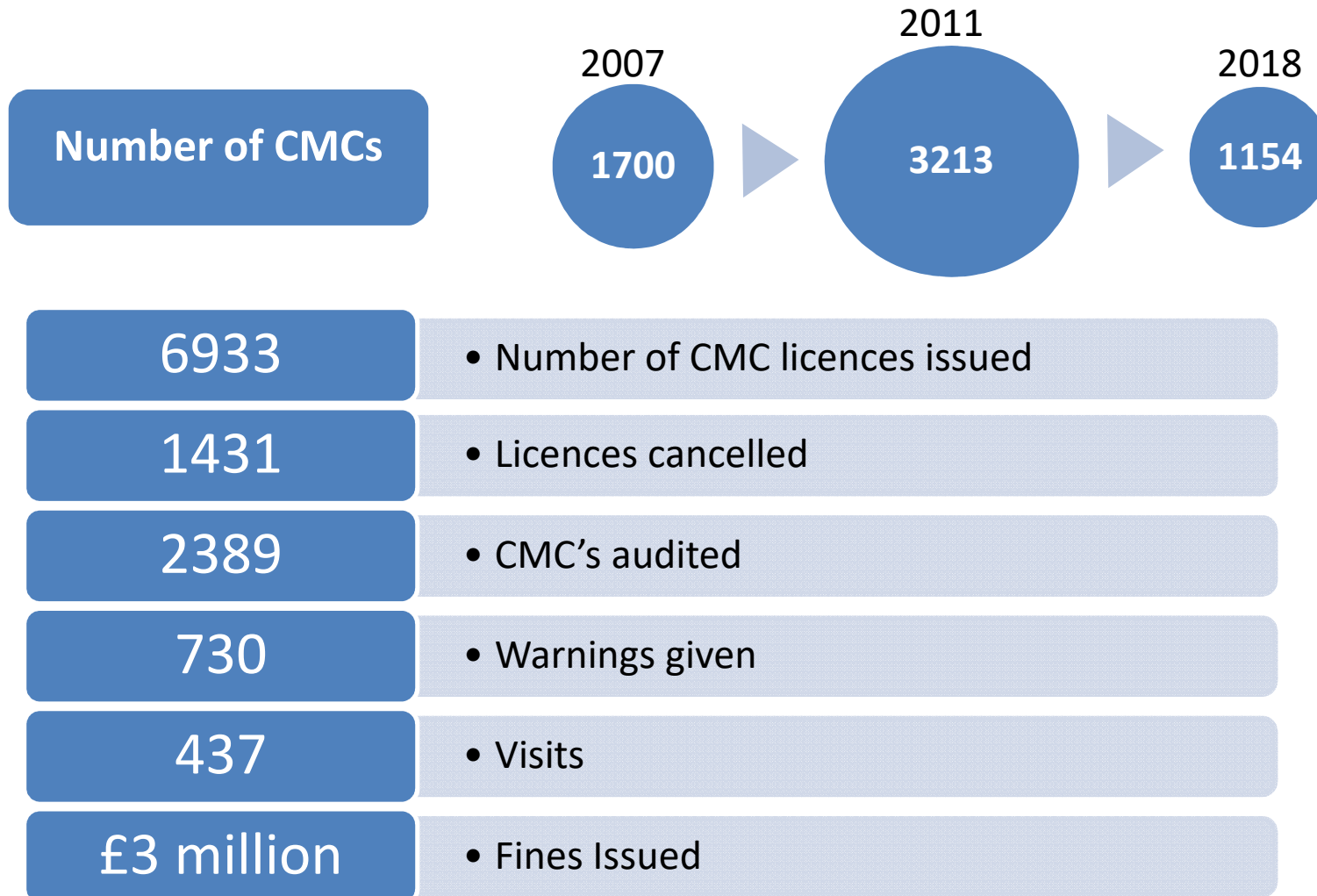
FCA Regulation of Claims Management Companies

Too Much, Too Late?

Claims Management Regulation 2007 – 2018



Claims Management Regulator – 2007/2018



Background to FCA Regulation

Brady Review – March 16

Bad practices identified:-

- Nuisance calls and text messages
- Aggressive and misleading advertising
- Progression of speculative and/or fraudulent claims
- Lack of clarity about fees and service
- Poor communication and service

Outcome

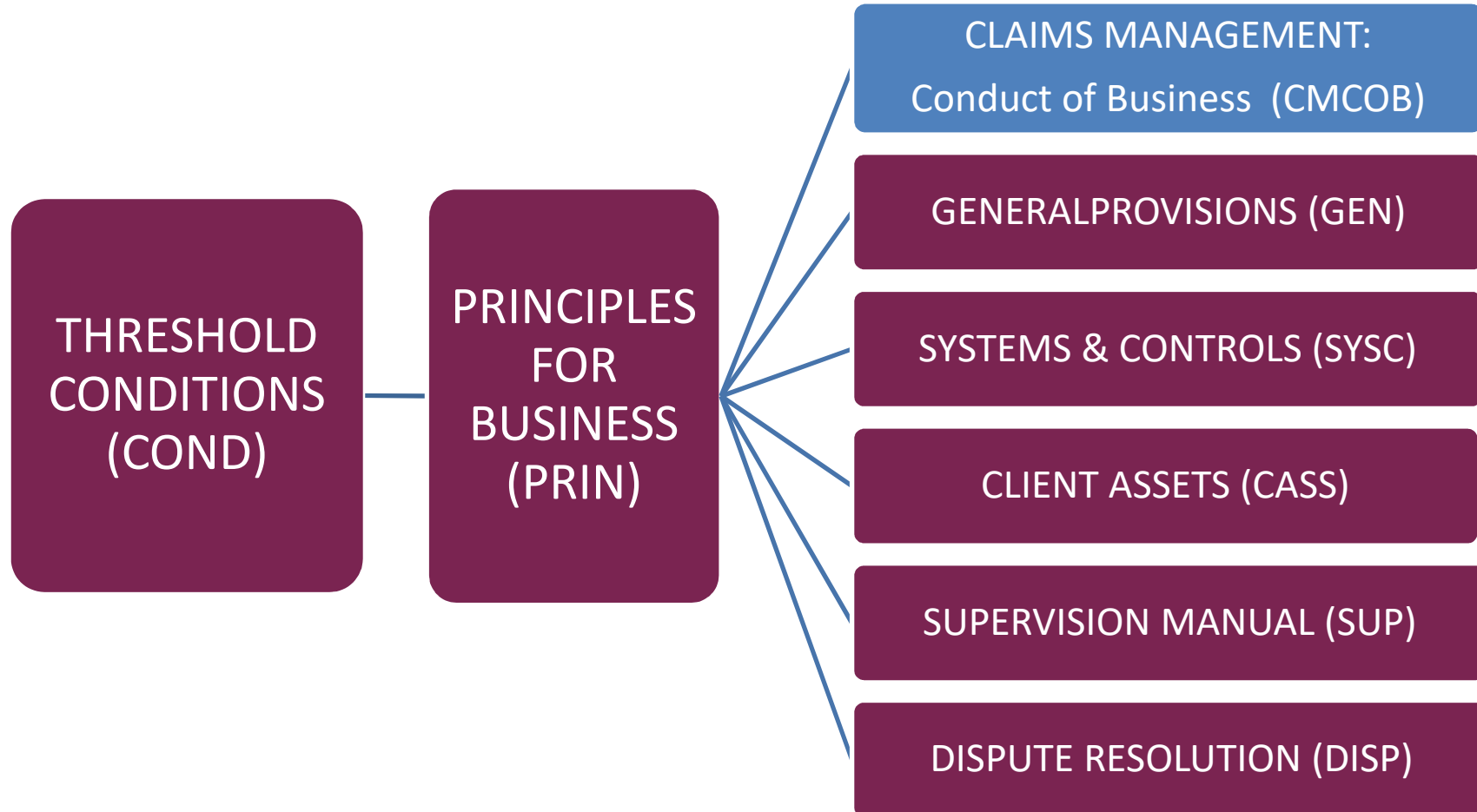
- Transfer of Regulation to the FCA

Financial Claims and Guidance Act 2018 – May 2018

Consultation Paper

Launched 5th June 2018, closed 3rd August 2018

THE FCA HANDBOOK



SCOPE OF FCA REGULATION

- Regulation extended to Scotland
- Section 75 Consumer Credit Act claims
- Regulated Activities & Permissions

Advising, Representing & Investigating

1. Personal Injury
2. Financial Services and Products
3. Housing Disrepair
4. Specified Benefits
5. Criminal Injuries
6. Employment

7. Lead Generation

- Exempt Introducers
 - Legal Practitioners
 - Charities
 - 25 of less and incidental to main business
- Insurers – Third party capture / direct Settlement

WHAT'S NEW?

1. Marketing by CMCs
2. Pre-Contract Information
3. Ongoing Disclosure & Regular Updates
4. Call recording
5. Senior Managers & Certification Regime
6. Enforcement

THE AUTHORISATION PROCESS

TEMPORARY PERMISSION

- ✓ Register on-line between 1st Jan 19 and 31 Mar 19
- ✓ Pay periodic fee within 14 day of invoice

RE-AUTHORISATION

- ✓ Apply for re-authorisation on-line
1st Apr 19 to 31st May 19 for Financial Service CMCs
& new CMCs
1st Jun 19 to 31st Jul 19 for all other CMCs
- ✓ Pay application fee
- ✓ FCA will determine application within 6 or 12 months

Fees

- Consultation Paper – 22nd October 2018
- Application Fee, Annual Fee, FOS Levy
- Cost of Regulation
 - £16.8 million up to and including 2020/21 (2 years)
 - FCA self-funded
 - Payment Uncertainties – 42% payable in 1st Year
 - Reduced number of CMC - 899 active CMCs
 - 20% of CMCs expected not to seek FCA regulation
 - 736 CMCs expected to register with FCA

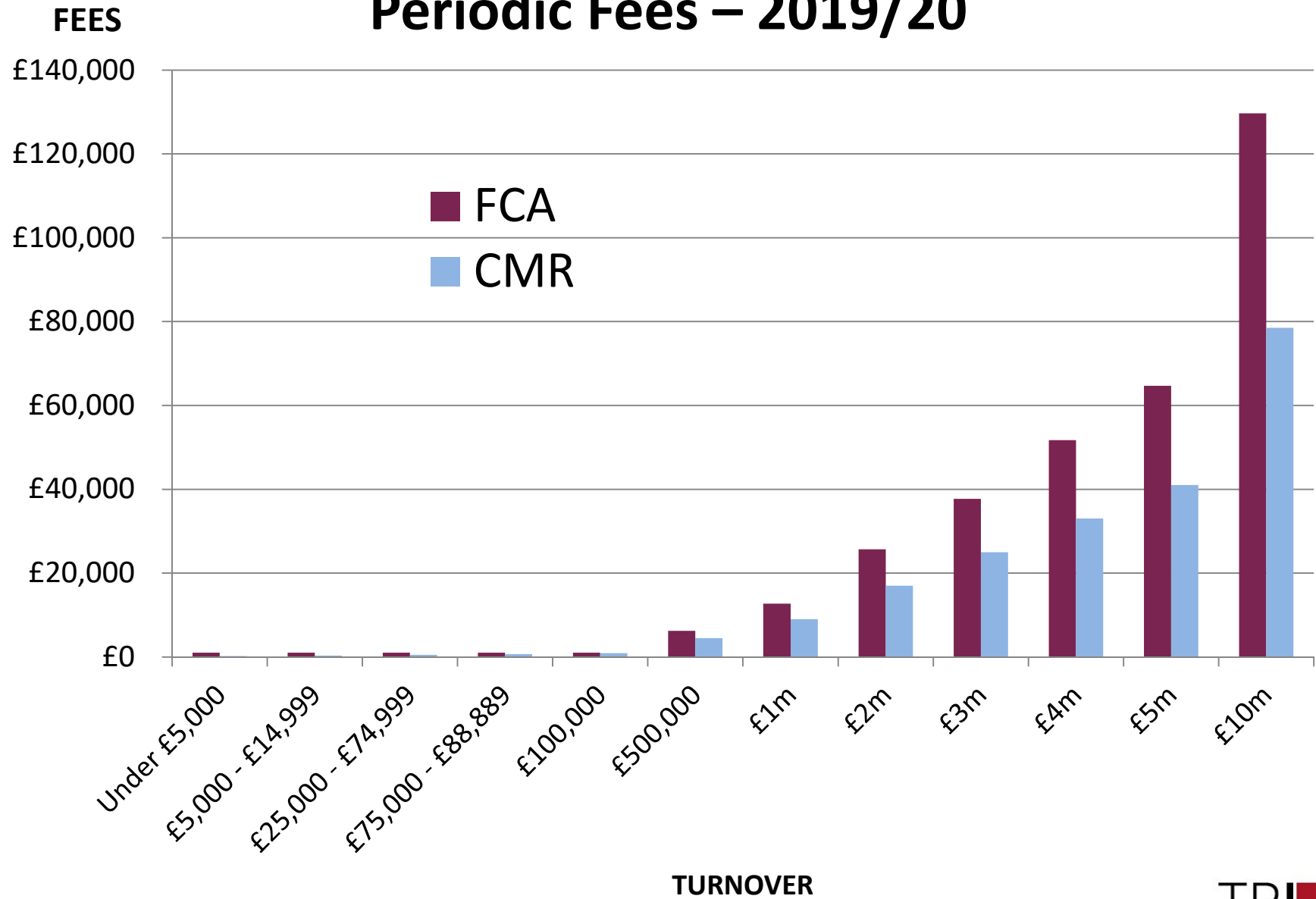
Application Fees

TURNOVER	FCA	CMR
Under £1m	£1,200	£2,000
Over £1m	£10,000	£2,000

Periodic Fees

TURNOVER	FCA	CMR
Under £5,000	£1000 (fixed fee)	£200 (set fee)
£5,000 - £14,999	£1000 (fixed fee)	£350 (set fee)
£25,000 - £74,999	£1000 (fixed fee)	£500 (set fee)
£75,000 - £88,889	£1000 (fixed fee)	£650 (set fee)
£100,000	£1000 (fixed fee)	£900 (0.9%)
£500,000	£6200 (£1k + 1.3%)	£4,500 (0.9%)
£1m	£12,700 (£1k + 1.3%)	£9,000 (0.9%)
£2m	£25,700 (£1k + 1.3%)	£17,000 (£9k + 0.8%)
£3m	£37,700 (£1k + 1.3%)	£25,000 (£9k + 0.8%)
£4m	£51,700 (£1k + 1.3%)	£33,000 (£9k + 0.8%)
£5m	£64,700 (£1k + 1.3%)	£41,000 (£9k + 0.8%)
£10m	£129,700 (£1k + 1.3%)	£78,500 (£41k + 0.75%)

Periodic Fees – 2019/20



Financial Ombudsman Service Fees

ANNUAL LEVY			
TURNOVER	FOS (Annual Levy)	FOS (Annual Levy including transfer costs)	LEO
£50k	£185	£275	£340
£500k	£1,400	£2,300	£1,750
£1m	£2,750	£4,550	£3,500
£10m	£27,050	£45,050	£23,500
£50m	£135,050	£225,050	£50,000
CASE FEES			
	£550 (1 st 25 cases free)		£400

OTHER COSTS

- Prudential Resources Requirements
 - All CMCs except lead generators
 - Turnover > £1m = £10,000 or 2 months expenses
 - Turnover < £1m = £5,000 or 2 months expenses
 - Applies from 1st August 2019
- Specific requirements for client money
 - All CMCs that hold client money must hold £20,000
 - Applies from 1st August 2019
- Professional Indemnity Insurance
- Call recording

Total Costs

	FCA/FOS	CMR/LEO	% Increase
Lead Generation			
Class 1 - Turnover > £1m, say £2m	£80,750	£42,500	90%
Class 2 - Turnover < £1m, say £500k	£9,252	£8,250	12%
Investigating, Advising & Representing			
Class 1 - Turnover > £1m, say £2m	£110,750	£42,500	160%
Class 2 - Turnover < £1m, say £500k	£34,252	£8,250	315%

Too Much, Too Late?

