

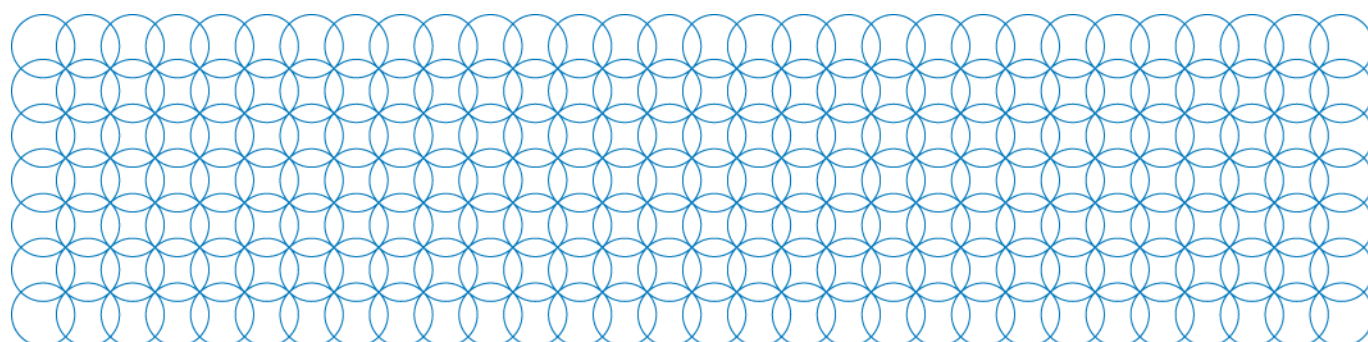
Claims Management Regulation

Regulation fees paid by claims management companies

Proposed regulation fees levels for 2015–16

This consultation begins on 20 November 2014

This consultation ends on 18 December 2014





Ministry of
JUSTICE

Claims Management Regulation

Regulation fees paid by claims management companies

Proposed fees levels for 2015–16

**A consultation produced by the Ministry of Justice. It is also available on the
Ministry of Justice website at www.justice.gov.uk**

About this consultation

- To:** All those required to be authorised under the Compensation Act 2006
- Duration:** From 20/11/2014 to 18/12/2014
- Enquiries (including requests for the paper in an alternative format) to:** Claims Management Regulation - HQ Office
Ministry of Justice
102 Petty France
London SW1H 9AJ
- Tel: 020 3334 3173
Email: claimsmanagementregulation@justice.gsi.gov
- How to respond:** Please send your response by 18/12/2014 to:
Mr Sal Ahmed
Claims Management Regulation HQ Office
Ministry of Justice
102 Petty France
London SW1H 9AJ
- Tel: 020 3334 6396 / 3173
Email: claimsmanagementregulation@justice.gsi.gov
- Response paper:** A response to this consultation exercise is due to be published in February 2015 at:
www.justice.gov.uk

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Summary

Claims Management Regulation

1. Claims Management Regulation was established in 2007 under Part 2 of the Compensation Act 2006. The regulatory system is self-financing, with applicants and authorised claims management companies (CMCs) meeting the costs of regulation through the payment of application and annual authorisation fees. Fees are calculated based on the number of new CMCs predicted to apply for authorisation, the turnover of already authorised CMCs together with the proportion of CMCs expected to maintain their authorisations both in year and into the following year. The level of these fees is set in advance of the year to which they apply and this consultation sets out the proposed fees for the regulation year April 2015 to March 2016.
2. The claims market continues to undergo many fundamental changes. For example the ban on the payment or receipt of referral fees in personal injury claims implemented in April 2013, the Government's reforms to the costs of civil litigation and various ongoing regulatory reforms has altered the structure of the claims market considerably. Such changes to the regulatory landscape have to be taken into account when considering the level of fees needed to maintain a self financing regulatory system.
3. The overall size of the claims market is a primary consideration. The ban on referral fees had a significant impact on the personal injury (PI) claims market, with over 1,000 CMCs leaving that sector by the end of March 2014. This represents a 41% fall and made the PI sector comparable in size to the financial products and services (FPS) sector for the first time since regulation began. At the end of the regulatory year 2013/14 (March 2014) there were just over 2,000 authorised CMCs – with PI still the largest sector with 1,125 authorised businesses and the FPS sector the second largest with 1,014 authorised businesses operating (CMCs can operate across different sectors simultaneously).
4. The changes affecting the claims industry have also been reflected in the turnover figures of CMCs operating in the PI and FPS sectors (by far the two largest sectors). By the end of November 2013 figures showed turnover for the PI sector fell by 32% from the previous year, with the FPS sector also falling by 31% compared to the previous year. This represents the biggest drop in turnover for both sectors since regulation began – and we anticipate that this trend will continue.
5. Any reduction of the size of the market does of course have a direct impact on total fee income for the Claims Management Regulator ("The Regulator"). The costs of the primary compliance and enforcement functions of the Regulator remain ongoing and continuing resource is needed to meet the challenges posed by regulation and to ensure compliance with our existing commitments and ongoing reform programme.

6. These reforms include reinforcement of the Regulator's enforcement tools with the introduction of a new power to issue financial penalties and to further strengthen the conduct rules from a financial services perspective. The new rules (implemented in October 2014) place further obligations on CMCs with regards to due diligence and the substantiation of claims and will need to be closely policed by the Regulator. Increased programmes of monitoring, audits and related compliance activities have been established and must be maintained to ensure effective regulation. In addition, engagement with the primary enforcement authorities – the Information Commissioner's Office (ICO) and Ofcom has been stepped up to address the problem of unsolicited calls and texts – particularly in relation to PPI claims.
7. The Regulator's work continues in existing areas such as the policing of unauthorised trading; the ban on referral fees through proactive compliance programmes and activities; and in respect of PPI claims, where the Regulator's compliance resources have increased in order to enable a comprehensive programme of audits of CMCs operating in the FPS sector.
8. Therefore despite a reduction in the size of the market overall, fee levels for the 2015/16 regulatory year must remain adequate to support the necessary enforcement and compliance programmes across all sectors. The Regulator must be able to build on the ongoing work to maintain and improve regulation whilst continuing to carry out its core enforcement activities and compliance programmes. To do this, the Regulator must take account of any current or future reduction in the size of the market, any potential for further market exits and reduced levels of applications for authorisation. A period of reduction in the number of CMCs operating does not significantly affect the overall level of enforcement and compliance activities carried out by the Regulator, and ultimately, the fee income from regulated CMCs must cover the costs of regulation.
9. We propose therefore to take the following steps for the 2015–2016 regulatory year:
 - To increase the application fee from £1,400 to £2,000
 - To increase the annual regulation fee pay scales for CMCs with turnovers under £88,889
 - To increase the fees based on percentage of turnover levied on CMCs with turnovers over £88,889
 - To either remove the fees caps for annual regulation and the financial products and services uplift; or alternatively retain the fees cap but increase it to £100,000
 - To maintain the existing financial products and services uplift at 0.145%
10. These changes are required to ensure an ongoing, robust and stable self financing position and to allow a Regulator to operate efficiently in an ever evolving claims industry. The specific fee proposals are set out at pages 11 to 12 and **Annex A**.

11. Given the increasing uncertainty of the size of the claims market in 2015–2016, we propose to retain the option of making an in year adjustment to the 2015–2016 fees.

Complaint Handling by the Legal Ombudsman

12. From early 2015, The Legal Ombudsman will take on consumer complaints about poor service provided by CMCs. The Legal Ombudsman will provide a new avenue of redress for clients of CMCs and will assist the Regulator in driving out some of the poor practices currently seen in the industry. This independent complaint resolution service is free to consumers, with the costs incurred to be met by lawyers and also authorised claims management companies.
13. On 3 November 2014, the Ministry of Justice published a response to consultation on the fees the Legal Ombudsman intends to charge CMCs to recover the costs associated with dealing with complaints. The fee framework for the Legal Ombudsman is separate from the Regulator’s fee framework but does place additional financial obligations on regulated CMCs.

The full response to consultation can also be found online here:

<https://consult.justice.gov.uk/digital-communications/consultation-fees-framework>

14. The intended start date of the new scheme is early January 2015 and all regulated CMCs will automatically be covered by the scheme. Regulated CMCs will have certain obligations towards both the Legal Ombudsman and the Regulator. Further information and further confirmation with regards to implementation will be published in due course.

Introduction

15. This paper sets out the levels at which claims management regulation fees (the fees collectable for applications for authorisation and the costs incurred by the Regulator through direct regulation of authorised CMCs) will be set for the 2015-16 regulatory year and proposes the methods of calculation by which they will be collected.
16. This consultation is aimed at persons authorised to provide claims management services in England and Wales under the Compensation Act 2006 and those CMCs and individuals contemplating making an application for authorisation. The register of Authorised Persons is available at: <https://www.claimsregulation.gov.uk/search.aspx>
17. The consultation will run for a period of 4 weeks. Copies of the consultation paper are being sent to:
 - All authorised claims management companies and organisations, and
 - The Claims Management Regulatory Consultative Group – see **Annex B** for a list of members.

However, this list is not intended to be exhaustive or exclusive and responses are welcomed from anyone with an interest in or views on the subject covered by this paper.

Background

Regulation Fee Requirements

18. The levels of fees paid by authorised CMCs are reviewed by the Regulator each year to ensure that they remain proportionate while ensuring that regulation remains self financing. As part of the annual fees review, authorised CMCs and other interested and appropriate parties are consulted in accordance with regulation 15¹ of the Compensation (Claims Management Services) Regulations 2006 (the Regulations).
19. The claims management regulatory regime is self funding, and therefore all operational costs must be recovered through the regulation fees paid solely by CMCs, with no cost to the tax payer. In order to meet these costs, all applicants must pay an application fee and, if authorised, an annual regulation fee. For all currently authorised CMCs, an annual regulation fee is charged in advance of the regulation year to which it relates. This fee is calculated using turnover information submitted by CMCs as part of the annual renewal process in February of each year.
20. The yearly fee levels determined by the Regulator are based on estimates of income receipts from new applications, the level of authorised CMCs in operation, any potential contraction (or, if applicable, expansion) of the claims market and the administrative costs of operating the regulatory regime.

Application Fee

21. Those that wish to provide regulated claims management services must be authorised to do so, unless they benefit from an exemption². To become authorised, a person is required to pay an application fee and must go through a detailed application process in accordance with regulations 8 and 9³ of the Regulations. If the Regulator is satisfied that the applicant meets the criteria provided for by the Regulations, they will be granted authorisation to provide regulated claims management services.
22. An application fee is paid by every applicant, successful or not, and contributes to meeting the costs of the Regulator carrying out detailed checks in processing the applications. These checks include verifying the information provided, establishing directors' identities, seeking further information where necessary and reviewing proposed contracts and marketing material. Some

¹ <http://www.legislation.gov.uk/uksi/2006/3322/part/4/made>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/313625/Claims-management-companies-who-needs-to-be-authorised-notes.pdf

³ <http://www.legislation.gov.uk/uksi/2006/3322/part/3/made>

CMCs require more scrutiny due to their complex structures and additional compliance checks are carried out on applicants that have been identified as having a higher risk rating.

Annual Regulation Fee

23. Businesses that are approved for authorisation must pay the annual regulation fee before authorisation is granted and also for each year that they remain authorised. This fee contributes to meeting the costs of monitoring, compliance and enforcement functions including handling stakeholder contacts, investigating breaches of the Conduct of Authorised Persons Rules, regulatory visits, audits and any necessary enforcement action against unauthorised CMCs.
24. In order to deal with key areas of non-compliance, monitoring and compliance work is targeted appropriately. The annual regulation fee covers the provision of this risk-based monitoring and compliance work with the aim of improving standards across the industry and ensuring that effective consumer safeguards remain in place.

Paying for Regulation

The Claims Market

25. The claims management industry is a fluid market which can be volatile and sensitive to changes in wider economic conditions. These factors make any prediction as to the number of CMCs that will require authorisation difficult. This volatility can impact on fee income received and the costs of regulating the conduct of authorised CMCs.
26. The 2013/14 regulatory year saw a total of 604 CMCs surrender their authorisation. A further 198 CMCs had their authorisation cancelled. However, these market exits were countered with 225 new market entrants. So far, the 2014/15 regulatory year has seen the cancellation of authorisation of 88 CMCs, 211 warnings issued, 293 formal audits and 56 regulatory visits carried out.
27. Whilst the number of CMCs active in the PI sector has fallen significantly and turnover decreased, this sector remains the largest with 1,125 authorised CMCs at the end of March 2014. The FPS sector continues to be dominated by the PPI claims market and has remained similar in size with 1,014 CMCs in operation at the end of March 2014. The employment sector is the most active of the other four regulated claims sectors. The other three smaller claims sectors are criminal injuries, industrial injuries disablement benefit and housing disrepair, and have very little activity in the claims management market.

Regulation Costs and Fee Income

Costs

28. Various factors make up the cost of regulation, some of which are relatively fixed and easy to predict. Other factors are dictated by our need to be responsive to shifting demand and emerging issues and as such, are less certain. Despite a reduction in the size of the claims market overall, the costs resulting from dealing with non compliant CMCs continues to increase. This means that sufficient resources are needed to undertake the necessary compliance projects, audits and management of general business and stakeholder contacts.
29. Most of these costs are incurred through targeted casework and as such, they would not necessarily be affected by a reduction in the total number of CMCs. Other variable costs are legal and other associated costs incurred in defending appeals against the Regulator's decisions to refuse, cancel, suspend or vary a CMC's authorisation.

30. The regulation costs predicted for 2015-2016 include:
- Detailed assessments of applications for authorisation
 - Maintaining monitoring, compliance and enforcement activities
 - Measures to tackle organised fraud in the personal injury sector
 - Measures to tackle non-compliant marketing practices
 - Measures to enforce the bans on referral fees and the conduct of authorised persons rules which were amended in October 2014
 - Further work on unsolicited SMS text marketing
 - Sustainability of new governance arrangements including the provision of two independent non-executive board members to the CMR Board
31. The costs of regulation for 2015-2016 are expected to be approximately £5m made up of monitoring, compliance and central costs to maintain an effective regulatory regime under increasingly challenging conditions.

Fees Income

32. Fee income and therefore the amount of fees paid by individual CMCs is affected by a number of different factors. For example, not all CMCs require their authorisation into the next regulatory year; a number will fail to comply with regulation and will be cancelled in accordance with our enforcement policy. Some CMCs voluntarily surrender their authorisation as they no longer wish to trade or are not able to meet the conditions of authorisation.
33. Costs for 2015-16 are projected to be around £5m, and without any change to fees and further contraction of the market, fee income would not cover the costs of regulation for the 2015-16 regulatory year. There is therefore a need to increase the regulation fees to ensure we are able to continue to tackle malpractice in the industry through compliance programmes and also support the heightened monitoring and compliance work required after the implementation of various regulatory reforms such as the ban on referral fees and changes to the conduct of authorised persons rules.
34. A proportion of our resources are currently focused on handling consumer contacts. When the Legal Ombudsman takes on complaint handling in early 2015, there is likely to be a reduction in direct consumer contacts. However, this will not result in a reduction to regulatory costs as current resources will be redeployed to other underfunded regulatory activities. Any reduction in direct consumer contacts will therefore allow the Regulator to focus resources on other priority areas of regulation.

Proposals

Annual Regulation Fee Scales for 2015-2016

Application Fee

35. We are proposing to increase the application fee from £1,400 to £2,000. Whilst application fees have remained static since the 2013-14 regulatory year, it is necessary to increase this fee to counter any decreases in applications for authorisation and to recover the costs of heightened scrutiny when considering applications from businesses. This increased sum can be factored into start up costs and recouped relatively quickly by the majority of newly authorised CMCs once trading has begun. This fee does not have any impact on any CMC already authorised to provide regulated claims management services.

Annual Regulation Fee

36. Due to the continuing reductions in the size of the claims market, increasing compliance and monitoring programmes and other ongoing changes to the regulatory landscape we will need to make significant fees increases. The proposed increases are driven by the need to not only ensure that regulation remains self-funding under an increasingly unstable market, but also to ensure that service levels are maintained and continue to improve. These increases will cover all CMCs but will have a more significant impact on certain businesses operating in the claims market.

37. We are therefore proposing and seeking views on the following two options:

Option A - we are considering removing the cap on regulatory fees which is currently set at £55,000. This proposal was last consulted on for the 2013-2014 fees when it was determined that the necessary regulatory costs could be recouped by raising, rather than removing the cap, although that fees consultation advised that returning to this proposal may be a possibility in future fee determinations. This option will have a greater impact on larger businesses with higher turnovers, who will pay a bigger proportion of the total cost of regulation. However, if the fees cap is removed, the % of turnover that businesses with turnover above £88,889 will be adjusted – so those annual fees will be:

0.9% of annual turnover up to £1 million

0.8% of annual turnover between £1million and £5 million

0.75% of annual turnover above £5 million

Option B – we are also considering retaining the fees cap but increasing it to £100,000. This option will spread the fee increase over a larger range of businesses within the upper fees brackets. Under this option the annual fee for all businesses with a turnover above £88,889 will be 0.90% of annual turnover.

Views are therefore sought on these two options as this will help to inform our final considerations on these alternative propositions.

38. Table 2 below sets out the proposed annual regulation fee scales for 2015-2016:

Turnover under £5,000	Fee = £200
Turnover £5,000 - £14,999	Fee = £350
Turnover £15,000 - £24,999	Fee = £500
Turnover £25,000 - £74,999	Fee = £650
Turnover £75,000 - £88,889	Fee = £800

Turnover more than £88,889*	<p><u>Option A</u> – Fee = 0.9% of annual turnover up to £1 million; 0.8% of annual turnover between £1million and £5 million; 0.75% of annual turnover above £5 million (with fees cap removed) or:</p> <p><u>Option B</u> – Fee = 0.9% of annual turnover (with fees cap at £100,000).</p>
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*NB – fee will be subject to decision after this consultation on whether fees cap removed or retained and whether % of turnover is then adjusted along lines proposed above.

Financial Products and Services Uplift

39. We do not propose to increase the financial products and services uplift which is currently set at 0.145% of annual turnover resulting from regulated activities undertaken in the financial products and services sector. We do however propose to either remove or increase the current cap of £55,000 that applies to the financial products and services uplift as part of the proposals under Options A and Option B above.
40. The uplift will apply to new and existing CMCs, with the uplift to new CMCs based on their estimated turnover for the financial products and services sector. This will correlate with the current charging mechanism in place for annual regulation fees paid by new claims management companies entering the market.
41. A working example of what the fee proposals overall will mean for different CMCs can be found at **Annex C**.
42. Any rebate of annual regulation fees will be payable in accordance with regulation 19 of the Regulations 2006.

Questionnaire

We would welcome responses to the following proposals set out in this consultation paper.

Claims Management Regulation Fees Determination 2015/16

Paying for Regulation

- i) Do you have any comments on the fee scales and the proposed draft Fees Determination for 2015 – 2016 (at **Annex A**)?
- ii) Do you have any comments on the proposal to increase the application fee from £1,400 to £2,000?
- iii) Do you have any comments on the proposal to increase the annual fee brackets of regulated businesses with an annual turnover of £88,889 or below £88,889?
- iv) Do you have any comments in relation to the proposal to increase the percentages levied on annual turnovers of more than £88,889?
- v) Do you have any comments in relation to the alternative options of (a) removing the caps on both the annual regulation fee and the financial products and services sector uplift or (b) retaining the fees caps but increasing them to £100,000?
- vi) Do you have any views on any potential equalities impacts (*race, sex, disability, sexual orientation, religion or belief, age, marriage, civil partnership, gender reassignment, pregnancy and maternity*) on individuals regarding the proposed fee determination? If so, please give reasons where possible to support your views
- vii) Bearing question VI in mind, are there any particular forms of mitigation in relation to any potential equalities impacts that should be considered?

Thank you for participating in this consultation exercise.

About You

Please use this section to tell us about yourself

Full name	
Job title or capacity in which you are responding to this consultation exercise (e.g. member of the public etc.)	
Date	
Company name/organisation (if applicable):	
Address	
Postcode	
If you would like us to acknowledge receipt of your response, please tick this box	<input type="checkbox"/> (please tick box)
Address to which the acknowledgement should be sent, if different from above	

If you are a representative of a group, please tell us the name of the group and give a summary of the people or organisations that you represent.

Contact details/How to respond

Please send your response by 18 December 2014 to:

**Claims Management Regulation – HQ Office
Ministry of Justice
102 Petty France
London SW1H 9AJ**

Tel: 020 3334 3173

Email: claimsmanagementregulation@justice.gsi.gov.uk

Extra copies

Further paper copies of this consultation can be obtained from this address and it is also available on-line at <http://www.justice.gov.uk/index.htm>.

Publication of response

A paper summarising the responses to this consultation will be published in [insert publication date, which as far as possible should be within three months of the closing date of the consultation] months time. The response paper will be available on-line at www.claimsregulation.gov.uk

Representative groups

Representative groups are asked to give a summary of the people and organisations they represent when they respond.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Ministry.

The Ministry will process your personal data in accordance with the DPA and in the majority of circumstances; this will mean that your personal data will not be disclosed to third parties.

Consultation Co-ordinator contact details

Responses to the consultation must go to the named contact under the How to Respond section.

However, if you have any complaints or comments about the consultation **process** you should contact Sheila Morson on 020 3334 4498, or email her at consultation@justice.gsi.gov.uk.

Alternatively, you may wish to write to the address below:

**Ministry of Justice
Consultation Co-ordinator
Better Regulation Unit
Analytical Services
7th Floor, 7:02
102 Petty France
London SW1H 9AJ**

Annexes

Annex A – Draft Fees Determination 2015/16

This Determination is made under Regulation 15 of the Compensation (Claims Management Services) Regulations 2006 and sets out the application and annual fees applicable from 1 April 2015.

Definitions

1. In this determination:

'the Act' means the Compensation Act 2006;

'Regulator' has the same meaning as in Section 14 of the Act;

'Applicant' means a person who has applied for authorisation under the Act;

'Authorisation' means an authorisation to provide regulated claims management services under the Act;

'Authorised Business' means a person who is currently authorised under the Act;

'Client' means a person for whom an authorised business is providing a regulated claims management service;

'Regulated claims management service' means the prescribed services set out in Article 4 of the Compensation (Regulated Claims Management Services) Order 2006;

'Turnover' means the sum of the amounts paid to, or received by, an authorised business in respect of regulated claims management services, including:

- a) charges, commission, the share of any compensation, fees and subscriptions, and
- b) the monetary value of any services received by the authorised business where it makes no payment for those services or where the payment received is worth less than the monetary value of the services, and
- c) the monetary value of any advertising in respect of the authorised business that it has not paid for out of funds referred to in sub-paragraphs (a) and (b);

'Annual turnover' means

- a) The authorised business's or applicant's turnover for the 12 months to 30 November 2014.
- b) If the business or applicant did not trade for the full 12 months to 30 November 2014, the estimated turnover for the 12 months to 30 November 2015.
- c) Where the application for authorisation is made on or after 30 November 2014, the estimated turnover for the 12 months to 30 November 2015.

Application of this determination

2. This fees determination applies to fees for all applications for authorisation made on or after 1 April 2015 and sets the annual fees for all businesses authorised at and after that date to the end of March 2016.

Application fee

3. An applicant seeking authorisation to provide regulated claims management services must submit an application fee of £2,000.00 with the application form.

Annual Fee

4. Authorised businesses will pay an annual fee. This fee will be equal to the sum of the amounts payable in relation to regulation and the financial products and services uplift as set out by this determination.

Amount payable in relation to regulation

Option A (subject to this consultation)

5. (1) Subject to sub-paragraph (3), authorised businesses shall pay an amount equal to 0.90% of annual turnover up to £1 million; plus 0.80% of annual turnover between £1 million and £5 million; plus 0.75% of annual turnover above £5 million.

Option B (subject to this consultation)

5. (1) Subject to sub-paragraphs (2) and (3), authorised businesses shall pay an amount equal to 0.09% of annual turnover.
 - (2) The fee under sub-paragraph (1) shall be no more than £100,000.
 - (3) Where the annual turnover of a business is £88,889 or less, then the amount payable will be a fixed fee of –

Annual Turnover of Authorised Business	Annual Fee Payable
Under £5,000	£200
£5,000 - £14,999	£350
£15,000 - £24,999	£500
£25,000 - £74,999	£650
£75,000 - £88,889	£800

Pro rata calculation of amount payable in relation to regulation

6. Where an authorisation is given which has effect from a date on or after 1 April 2015, the fee shall be one twelfth of the sum calculated in accordance with paragraph 5 for each month or part of a month for which the Regulator has indicated that he is minded to authorise the business under the Act. This paragraph does not apply to any person who the Regulator is satisfied has been providing regulated claims management services prior to being authorised.
7. Where the Regulator is satisfied that the business or those who control the business have previously had control of another authorised business then the Regulator may require the business to pay an annual fee calculated by reference to the annual turnover of all of those authorised businesses.

Adjustments

8. Where an applicant has reported an annual turnover figure based on estimated turnover to 30 November 2015 and the actual annual turnover is more than the estimated turnover, an additional charge shall be levied based on actual annual turnover to 30 November 2015.

Financial products and services uplift

9. (1) Authorised businesses shall pay an amount equal to 0.145% of annual turnover they received from regulated claims management services in relation to financial products or services.

Subject to this consultation on Option A or B above at paragraph 5:

- (2) The fee under sub-paragraph (1) shall be no more than £100,000.

Pro rata calculation of financial products and services uplift

10. Where an authorisation is given which has effect from a date on or after 1 April 2015, or an authorised business begins to carry out regulated activities in relation to financial products and services from a date on or after 1 April 2015, the fee shall be one twelfth of the sum calculated in accordance with paragraph 9 for each month or part of a month for which the Regulator has indicated that he is minded to authorise the business under the Act. This paragraph does not apply to any person who the Regulator is satisfied has been providing regulated claims management services prior to being authorised.
11. Where the Regulator is satisfied that the business or those who control the business have previously had control of another authorised business then the Regulator may require the business to pay an annual fee calculated by reference to the annual turnover in relation to financial products or services of all of those authorised businesses.

Adjustments

12. Where an applicant has reported an annual turnover figure in relation to financial products or services based on estimated turnover to 30 November 2015 and the actual annual turnover in relation to financial products or services is more than the estimated turnover, an additional charge shall be levied based on actual annual turnover to 30 November 2015.

Compliance

13. Where the authorised business does not provide the annual turnover figures requested, the Regulator may use the previous year's actual or estimated annual turnover figure to calculate and issue an invoice pending the information required being supplied.

Kevin Rousell

(Head of Claims Management Regulation)

Annex B – Claims Management Regulatory Consultative Group

Advisory, Conciliation and Arbitration Service (ACAS)
www.acas.org.uk

Advertising Standards Authority (ASA) www.asa.org.uk

Association of Regulated Claims Management Companies (ARC)
www.arcmc.org.uk/

Association of British Insurers (ABI) www.abi.org.uk

Association of Professional Financial Advisers (APFA)
www.apfa.net

Association of Mortgage Intermediaries (AIM)
www.a-m-i.org.uk

Association of Personal Injury Lawyers (APIL) www.apil.org.uk

British Bankers Association (BBA)
www.bba.org.uk

British Insurers Brokers Association (BIBA) www.biba.org.uk

Building Societies Association (BSA) www.bsa.org.uk

Citizens Advice Bureau (CAB)
www.citizensadvice.org.uk

Claims Standards Council (CSC)
www.claimscouncil.org

Council of Mortgage Lenders (CML) www.cml.org.uk

Employment Appeal Tribunal Service
www.employmentappeals.gov.uk

Employment Tribunals
www.justice.gov.uk/tribunals/employment

Financial Conduct Authority
www.fca.org.uk/

Financial and Leasing Association (FLA) www.fla.org.uk

Financial Ombudsman Service (FOS) www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS) www.fscs.org.uk

Law Society www.lawsociety.org.uk

Legal Ombudsman
www.legalombudsman.org.uk

Motoring Accident Solicitors (MASS) www.mass.org.uk

Office of Fair Trading (OFT)
www.offt.gov.uk

Professional Financial Claims Association (PFCA),
www.pfca.org.uk/

Solicitors Regulation Authority (SRA) www.sra.org.uk

Direct Marketing Association Ltd (DMA) www.dma.org.uk

UK Cards Association
www.theukcardsassociation.org.uk

Unison/TUC www.unison.org.uk

Which? www.which.co.uk

Annex C – The Proposals – A Working Example

		Current 2014/15 fees		2015/2016 proposals (Option A = no fee cap & variable % of turnover Option B = fee caps at £100k & 0.9% of turnover – see consultation paper for full details)				
CMC total turnover	CMC financial services turnover	Annual Reg fee	FPS fee	Annual Reg fee (Option A)	Annual Reg fee (Option B)	FPS fee	Total CMR fee (Option A)	Total CMR fee (Option B)
£	£	£	£	£	£	£	£	£
40,000,000	-	55,000	-	303,500	100,000	-	303,500	100,000
25,000,000	25,000,000	55,000	36,250	191,000	100,000	36,250	227,250	136,250
10,000,000	-	32,400	-	78,500	90,000	-	78,500	90,000
10,000,000	10,000,000	32,400	14,500	78,500	90,000	14,500	93,000	104,500
1,000,000	-	5,000	-	9,000	9,000	-	9,000	9,000
1,000,000	1,000,000	5,000	1,450	9,000	9,000	1,450	10,450	10,450
500,000	-	2,500	-	4,500	4,500	-	4,500	4,500
500,000	500,000	2,500	725	4,500	4,500	725	5,225	5,225
100,000	-	710	-	900	900	-	900	900
100,000	100,000	710	145	900	900	145	1,045	1,045
50,000	-	550	-	650	650	-	650	650
50,000	50,000	550	73	650	650	73	723	723
20,000	-	440	-	500	500	-	500	500
20,000	20,000	440	29	500	500	29	529	529
10,000	-	300	-	350	350	-	350	350
10,000	10,000	300	14	350	350	14	364	364
2,500	-	200	-	200	200	-	200	200
2,500	2,500	200	4	200	200	4	204	204

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