



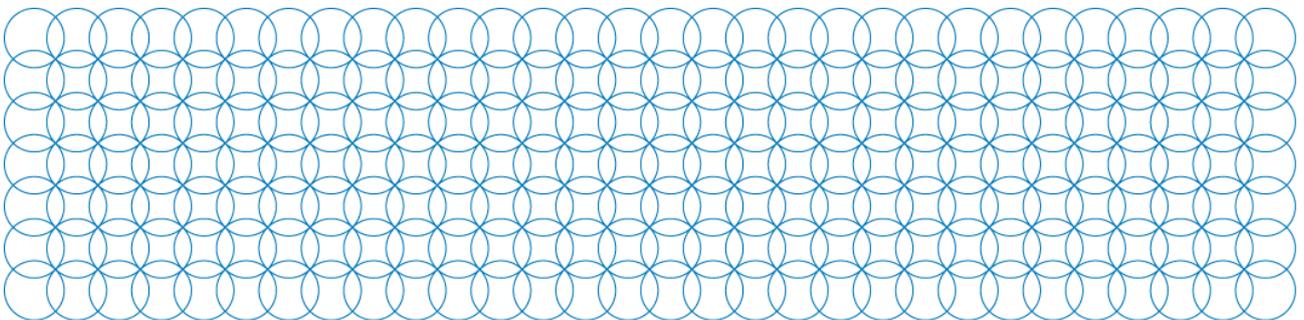
Ministry  
of Justice

# Claims Management Regulation - Consultation

## Cutting the costs for consumers – Financial Claims

This consultation begins on 15 February 2016

This consultation ends on 11 April 2016







Ministry  
of Justice

## **Claims Management Regulation - Consultation Cutting the costs for consumers – Financial Claims**

**A consultation produced by the Ministry of Justice. It is also available at  
<https://consult.justice.gov.uk/>**

## About this consultation

- To:** All regulated Claims Management Companies  
The Regulatory Consultative Group  
Anyone with an interest in claims management matters
- Duration:** From 15/02/16 to 11/04/16
- Enquiries (including requests for the paper in an alternative format) to:** Mr Ashley Palmer  
Claims Management Regulation – HQ Office  
Ministry of Justice  
102 Petty France  
London SW1H 9AJ  
Tel: 020 3334 3173 / 6396  
Email: [claimsmanagementregulation@justice.gsi.gov.uk](mailto:claimsmanagementregulation@justice.gsi.gov.uk)
- How to respond:** Please send your response by 11/04/16 to:  
Mr Ashley Palmer  
Claims Management Regulation – HQ Office  
Ministry of Justice  
102 Petty France  
London SW1H 9AJ  
  
Email: [claimsmanagementregulation@justice.gsi.gov.uk](mailto:claimsmanagementregulation@justice.gsi.gov.uk)
- Response paper:** A response to this consultation exercise is due to be published later this year at: <https://consult.justice.gov.uk/>

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## Executive Summary

The Claims Management Regulator (“the Regulator”) forms part of the Ministry of Justice (“MoJ”) and is responsible for the regulation of claims management companies (“CMCs”) providing regulated claims management services in England and Wales under the Compensation Act 2006.

In the 2015 Summer Budget, the Chancellor announced that proposals were to be brought forward for the introduction of a cap on the fees that regulated CMCs can charge consumers. Some CMCs operating in the Financial Products & Services (“financial claims”) sector in particular are charging high fees to consumers. Consumer charges currently range from around 10% at the lowest, to 40% at the highest. On average, consumers are typically charged around 25%-30% of the final compensation that may be awarded. This amounts to around £300 being taken out of every £1000 of compensation paid to a consumer on average.

In addition to this, some CMCs appear to be pursuing a high level of speculative claims and nuisance calls to consumers. The MoJ therefore proposes to improve the industry conditions, for both consumers and wider business, by introducing new maximum fee limits that CMCs operating in the financial claims sector are able to charge consumers and also other related measures. The aim is to protect consumers from high charges and to reduce the level of speculative claims lodged with lenders and the Financial Ombudsman Service (“Financial Ombudsman”). The proposals also aim to reduce the level of nuisance calls and texts received by consumers in relation to financial claims services more generally.

It is important that consumers who decide to use a CMC to pursue a financial claim, receive better value for money and are not taken advantage of by companies that may add very little to the claims process in practice. Based on the level of evidence available at present, the Government considers that further restrictions on charges and the manner in which CMCs can contract with consumers would assist to reduce incentives for CMCs to collect marketing leads, and expects that the number of nuisance calls and speculative claims would be reduced as a result. In turn, we expect that the administrative and financial burden placed on lenders and the Financial Ombudsman would be lessened and the cost of these claims to the industry diminished.

All regulated CMCs must adhere to the Conduct of Authorised Persons Rules 2014<sup>1</sup> (“CAPR”) as a condition of authorisation. The CAPR require CMCs to ensure that consumers are aware of their options before instructing the CMC to carry out any work. CMCs must also provide clear information around any charges before a contract can be agreed.

The level of work required to investigate and pursue a financial claim can vary greatly. There are some types of bulk claims such as Payment Protection Insurance (“PPI”) and

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<sup>1</sup> [www.gov.uk/government/publications/claims-management-regulation-conduct-of-authorised-person-rules-2014](http://www.gov.uk/government/publications/claims-management-regulation-conduct-of-authorised-person-rules-2014)

Packaged Bank Account (“PBA”) claims that, in the vast majority of cases, do not generally require a significant amount of work to be undertaken to pursue, particularly when compared with more complex claims matters in the financial claims sector. In fact, there are a range of resources available that enable consumers to bring claims themselves, free of charge. Consumers can lodge a complaint directly with their lender at no cost and can also refer their complaint to the Financial Ombudsman for an independent assessment, if they are unhappy with the decision of their lender in the first instance.

There are also more complex cases where relevant sector knowledge is likely to be required and where a significant amount of work and investigation is conducted to ascertain whether a consumer has a potential claim. These more complex claims can range from mis-sold pensions and mortgages to interest rate swaps and other complex financial matters. The value of using a CMC to pursue these types of claim is much clearer, as relevant knowledge is used to understand and challenge the nature of more complex claims matters.

CMCs are currently required to make explicit to consumers their right to seek further advice or to shop around. In addition, CMCs must make reasonable enquiries as to whether the client has alternative mechanisms for pursuing a claim and consumers must be advised unambiguously of ombudsman schemes or other official means of seeking redress. Organisations such as the Financial Ombudsman provide assistance to consumers on how to bring a claim for free. Despite this, many consumers do not appear to gain a sufficient level of understanding of the information provided to them when contracting with a CMC.

Whilst there are many CMCs offering regulated claims management services in the financial claims sector, on the whole, consumers do not appear to shop around for the best deal and are likely to contract with the first CMC that contacts them. It may be that consumers receiving claims management marketing calls see them as opportunistic. However, a lack of marketing around CMC fees in particular as well as extremely limited resources for comparing the charges imposed by different CMCs also makes it difficult for those that do wish to shop around to compare the costs for services provided by different CMCs. Consumers do not appear to be gaining a full understanding of the options available to them.

The level of marketing by CMCs via television and newspaper adverts, as well as marketing calls, is high and reaches consumers on a daily basis. This creates a higher level of awareness of both PPI and PBAs, and the opportunity to be redressed for these products where they were mis-sold. It is possible that some consumers think that the services provided by CMCs are their only option for bringing a claim in some instances, when considering the level of information available and lack of advertising on how to utilise free alternative mechanisms. Even when a consumer is provided with the necessary information about costs, the service they will receive and the alternatives prior to contracting with a CMC, many consumers still appear not to fully understand that alternative mechanisms for making a claim exist. Often it is because the consumer has a cause to complain about the service being provided, or the amount the CMC has charged them for their services that causes them to look into what they can do about it. This typically leads to consumers becoming more engaged with the claims process and fully understanding that they may bring a claim themselves.

Speculative claims also appear to be being made by CMCs on behalf of consumers in many cases, without an appropriate level of investigation taking place to ascertain

whether or a not a particular policy does in fact exist. In many cases, no policy or relationship between a consumer and a lender is ever found. This prolongs the claims process for the consumer and places an additional administrative and financial burden on defendant businesses, such as lenders, and other organisations such as the Financial Ombudsman.

A general lack of consumer understanding can lead to consumers being charged hundreds of pounds upfront for a claim to be taken forward, whilst many face having a large percentage of any final compensation awarded taken by a CMC. Whilst a CMC can add value in some circumstances, it is clear that many consumers are happy to instruct a CMC to pursue matters on their behalf, even where the necessary processes are simple and free alternatives are available. However, the current level of high fees charged by some CMCs for some claims do not appear to be proportionate or demonstrate value for money in many cases.

Restrictions on fees would protect consumers who may not understand the information they are presented with at the outset of contracting with a CMC. It would ensure that they are only required to pay reasonable charges for the work carried out by the CMC that fall within prescribed limits. Additionally, a restriction on fees would be likely to mean more focused marketing, leading to claims made where a PPI policy was sold, helping to reduce the cost of speculative claims to the industry.

Based on the information available to the Regulator at this stage, we propose to implement a number of restrictions via additions to the CAPR. This consultation will seek to obtain further evidence in relation to the analysis and rationale set out in this consultation as well as the proposals.

We propose to introduce new maximum fee limits that CMCs can charge to consumers for claims in the financial claims sector as well as a number of further restrictions as follows:

### **Bulk Claims – Payment Protection Insurance ‘PPI’ & Packaged Bank Account ‘PBA’ claims only**

- A completion fee cap of **15% (Inc. VAT)** of the net amount of the final compensation awarded, for one or more **PPI** or **PBA** claims with a lender, where the total net value of all relevant claims equals £2,000 or less
- An overall total charge cap of **£300 (Inc. VAT)**, for one or more **PPI** or **PBA** claims with a lender where the total net value of all relevant claims totals more than £2,000
- A maximum ‘cancellation’ fee of **£300 (Inc. VAT)** where a consumer cancels their contract with a CMC after the initial 14 day ‘cooling off’ period. To support this, CMCs will be required to ensure that all charges are reasonable and will be required to provide consumers with an itemised bill setting out details of what the charges relate to
- A ban on any charges to a consumer where it is identified that the consumer does not have a relationship or relevant policy with the lender
- A ban on CMCs receiving or making any financial payment for referring or introducing a client to a third party in relation to **PPI** or **PBA** claims

## **Non-Bulk Claims – Other Financial Claims (excluding PPI & PBAs)**

- A completion fee cap of **25% (Inc. VAT)** of the net amount of the final compensation awarded per product for all other claims in the financial claims sector

## **All Financial Claims**

- A ban on any upfront fees being charged to a consumer for the pursuit of any financial claims

## 1. Overview

### Introduction

- 1.1. This paper sets out for consultation proposals to introduce new maximum permitted fee limits and additional restrictions on the nature of fees that regulated CMCs can charge their clients in the financial claims sector specifically. The consultation is aimed at all regulated CMCs, trade bodies and anybody with an interest in regulated claims management matters in England and Wales.
- 1.2. An initial consultation stage impact assessment (attached at Annex A) indicates that all regulated CMCs operating in the financial claims sector would be particularly affected. The proposals are likely to lead to additional costs for many of these CMCs. This could result in some CMCs moving into other regulated sectors or leaving the market completely if they are unable to adapt their business models and remain profitable. This consultation will be used to test these assumptions.
- 1.3. Consumers, lenders and other organisations such as the Financial Ombudsman however, would see benefits from the proposed restrictions. A higher proportion of compensation would go to consumers who would no longer be at a disadvantage as a result of a lack of understanding of their options. In addition, the proposals would reduce the burden (both administrative and financial) on lenders and the Financial Ombudsman which would enable those with legitimate claims to complete the claims process more quickly.
- 1.4. Where possible the impact assessment has attempted to quantify and monetise the expected costs and benefits. However, it has not been possible to monetise some of the identified impacts as sufficient data or estimates are not available at this point. We have collated some initial information provided to us by the financial sector and some consumer groups on the volume of cases and the average up-front and completion fees to monetise certain impacts. However, in order to provide more certainty around these estimates and to quantify other costs, we need to obtain further information regarding CMC operating models and charging structures, which is commercial information. We aim to acquire this information through this consultation exercise in order to provide a fuller assessment of the costs and benefits for the final impact assessment.
- 1.5. An initial consultation stage impact assessment is attached. Comments on the Impact Assessment and the specific questions set out in this consultation are very welcome.
- 1.6. Copies of the consultation paper are being sent to:
  - The Regulatory Consultative Group (RCG) (*List of Members attached at Annex B*)
  - All regulated Claims Management Companies (CMCs)
  - First-tier Tribunal (General Regulatory Chamber)
- 1.7. However, this list is not meant 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

- 1.8. In 2004, the better regulation task force (BRTF) recommended that the claims management industry be given a final chance to self-regulate. To do so, the BRTF recommended that, by September 2004, the Claims Standards Council (CSC) should gain approval from the Office of Fair Trading (OFT) of its code of practice setting out how claims management companies should operate.
- 1.9. The BRTF recommended that the CSC should work towards the approval of its Code by the OFT by September 2005 and, if by December 2005 progress was not made and the industry did not demonstrate that it was able to govern itself appropriately, the Government should introduce statutory regulation. As attempts at self-regulation by the industry failed, formal regulation of the claims management industry was introduced through the Compensation Act 2006 and commenced in April 2007.
- 1.10. At present there are around 1,700 regulated CMCs in operation. Around 850 of these operate in the financial claims sector. Some CMCs also operate across more than one sector and are not limited to financial claims.
- 1.11. The financial claims sector is the biggest in terms of turnover with over £450m reported turnover for the 2014/15 financial year. A small proportion of CMCs operating in the financial claims sector (around 14 in total) account for more than half of the turnover in the entire financial claims sector. The second largest regulated claims management sector in terms of turnover is the Personal Injury sector, with a reported total of over £300m for the same period.

## Reforming the Claims Management Industry

- 1.12. A number of measures have been implemented in recent years including various improvements to the CAPR to improve industry conditions for consumers and additional rules around transparency and the level of service provided. In 2014, the implementation of a financial penalties policy to expand the Regulator's enforcement options for non-complaint CMCs was introduced. We are now proposing to create further efficiencies and protections within the claims market by ensuring that consumers receive better value for money and are not taken advantage of by CMCs that may add very little to the claims process. At present, the Regulator and a range of wider organisations such as lenders, the Financial Ombudsman, the Citizen's Advice Bureau and other consumer groups are concerned that some CMCs operating in the financial claims sector are failing to deliver value for money for consumers, fuelling speculative claims and creating a significant social nuisance through calls, texts and misleading marketing.
- 1.13. As a result of this, the Chancellor announced in the 2015 Summer Budget that the Government would bring forward proposals to place restrictions on the fees that regulated CMCs can charge consumers. Fee restrictions and requirements regarding the manner in which CMCs can contract with their consumers, would ensure that consumers receive more compensation, better value for money and would assist to reduce incentives for CMCs to collect marketing leads. This would also reduce the number of nuisance calls made to consumers, and the cost to the industry through the reduction in speculative claims lodged with both lenders and the Financial Ombudsman.

## 2. The Financial Claims Sector

### Payment Protection Insurance (“PPI”)

- 2.1. Claims relating to mis-sold PPI currently dominate the financial claims sector. PPI was designed to cover loan, mortgage, credit card or other credit repayments in the event of an accident, sickness or unemployment. PPI policies were however, mis-sold on a mass scale. Some consumers were told they could not proceed with a credit application if they did not sign a PPI agreement. In some cases, financial organisations did not undertake reasonable checks to ascertain whether or not a PPI policy would in fact be suitable for a consumer. Many consumers were sold policies under which they would never have been able to make a claim.
- 2.2. The vast majority of PPI claims are relatively straight-forward and do not require a significant amount of work to be completed in order to pursue. In most cases, where a consumer is unaware whether or not they even have or had a PPI policy, they can make enquiries with their lender based on a few personal details. If a consumer knows they have or had a PPI policy, again, they can contact their lender directly, setting out the details of their claim based on any information they have available<sup>2</sup>.

### Current Charging Levels for PPI Claims

- 2.3. Some CMCs provide the Regulator with outline information regarding their charging structures as part of the annual renewal process. However, these charging structures may change continually as the industry and the regulatory landscape evolves. We are aware that upfront fee charges for PPI claims are typically set between £150 and £500. Some CMCs may charge an upfront fee to a consumer for simply referring a claim on to a third party to pursue. Most CMCs, however, do not charge an upfront fee for PPI claims and rely on fees charged upon the completion of a claim to recover any initial costs.
- 2.4. Upon the completion of a PPI claim, the average fee charged to consumers by CMCs is around 25% - 30% of the final compensation amount awarded. We have seen instances where CMCs have charged as low as 10% of any final compensation awarded, however, charges towards the higher end have been seen to reach as much as 40%. On average, it is estimated that CMCs are taking around £300 out of every £1,000 of compensation paid out to consumers.
- 2.5. The Financial Conduct Authority has reported<sup>3</sup> that since 2011, over £21bn has been paid out to consumers for PPI claims. Based on CMCs accounting for around 60% of the number of claims lodged, it is estimated that CMCs have taken over £3.5bn in consumer charges since 2011, considering the average completion fee charged being around 30%. This consultation will be used to obtain further information from CMCs regarding current charging structures in place across the financial claims sector.

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<sup>2</sup> Some lenders may require a consumer to make a formal Subject Access Request for details of any agreements held. In these instances, lenders are able to charge a nominal fee of £10 to provide copies of any relevant paperwork which may indicate whether or not a consumer has been sold a particular product.

<sup>3</sup> [www.fca.org.uk/news/annual-report-14-15](http://www.fca.org.uk/news/annual-report-14-15)

## Resources and Guidance - PPI Claims

- 2.6. Most lenders now have established processes for consumers to make PPI claims and provide the necessary guidance on how to pursue a claim directly, simply and at no cost. Organisations such as consumer group Which?<sup>4</sup>, The Citizen's Advice Service<sup>5</sup> and The Money Advice Service<sup>6</sup> have also put together comprehensive guidance in relation to PPI claims which is available online and completely free to consumers.
- 2.7. Where consumers are unhappy with the outcome of a claim made directly to a lender, they are able to refer their complaint to the Financial Ombudsman who will make an independent assessment. The Financial Ombudsman has published a questionnaire<sup>7</sup> for PPI claims to assist consumers lodging a claim with their lender or referring the matter to the Financial Ombudsman where necessary. Some lenders also have their own questionnaires available on their company websites. The Financial Ombudsman offers assistance to consumers on how to refer a claim to the Financial Ombudsman if the consumer remains unhappy<sup>8</sup>. The act of pursuing a claim directly or with the Financial Ombudsman does not cost the consumer any money.

## PPI Claim Levels and Uphold Rates

- 2.8. The Financial Ombudsman has reported that it has now received nearly one and a half million complaints about PPI. There is no information available regarding the complexity of these cases however, statistics suggest that in the current market consumers that lodge PPI claims themselves are generally more likely to see their case upheld than those who use a CMC or other third party to lodge a claim on their behalf.
- 2.9. For the year ending March 2015, a total of 204,943 new PPI claims were received, with 62% of these cases being upheld. 79% of these new PPI cases were lodged by CMCs on behalf of consumers, and 20% came from consumers directly. We have reviewed data from the Financial Ombudsman over a number of years which confirms that CMCs do not achieve better results than consumers – indeed often their results are worse.
- 2.10. During 2014/2015, 65% of the complaints about mis-sold PPI policies that came from consumers directly were upheld by the Financial Ombudsman. In comparison, the uphold rate for complaints lodged by CMCs on behalf of consumers, was lower at 61%.

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<sup>4</sup> [www.which.co.uk/consumer-rights/action/how-to-reclaim-mis-sold-ppi](http://www.which.co.uk/consumer-rights/action/how-to-reclaim-mis-sold-ppi)

<sup>5</sup> [www.citizensadvice.org.uk/debt-and-money/insurance/payment-protection-insurance/](http://www.citizensadvice.org.uk/debt-and-money/insurance/payment-protection-insurance/)

<sup>6</sup> [www.moneyadviceservice.org.uk/en/articles/reclaiming-payment-protection-insurance](http://www.moneyadviceservice.org.uk/en/articles/reclaiming-payment-protection-insurance)

<sup>7</sup> [www.financial-ombudsman.org.uk/consumer/form/complaint\\_form.doc](http://www.financial-ombudsman.org.uk/consumer/form/complaint_form.doc)

<sup>8</sup> [www.financial-ombudsman.org.uk/publications/technical\\_notes/ppi.html#PPIcomplaints](http://www.financial-ombudsman.org.uk/publications/technical_notes/ppi.html#PPIcomplaints)

- 2.11. For the 2013/14 financial year the statistics show a similar pattern, with consumers who brought claims directly seeing a better chance of success. A total of 397,906 new PPI claims were received with a 65% uphold rate.
- 2.12. During this period, 67% of PPI complaints brought directly by consumers were upheld. The success rates for those using a CMC were lower by comparison with 65% of claims lodged by CMCs being upheld despite CMCs accounting for 72% (279,678) of all new cases.
- 2.13. It is clear that the level of PPI claims has decreased generally since the 2013/14 financial year. However, new PPI claims brought to the Financial Ombudsman during 2014/15 still made up twice as many complaints as all other areas put together.
- 2.14. Figures published by the FCA<sup>9</sup> (from 24 firms that made up 96% of complaints about the sale of PPI in 2014) show that the level of PPI payments is also decreasing. In 2013, a total of £5.2bn was paid out and this decreased to £4.4bn in 2014. Between January and August 2015, a total of £3bn worth of PPI payments had been made.
- 2.15. Some lenders in the UK have made specific financial provisions to cover mis-sold PPI payments, in particular due to the scale of the mis-selling and level of claims being made. The level of financial provision totalling over £18bn that has been set aside by some of the largest lenders is indicated below;

<b>Lender</b>	<b>Total amount set aside for PPI compensation to date</b>
<b>Lloyds Banking Group</b>	£9.83bn
<b>Barclays</b>	£4.13bn
<b>Royal Bank of Scotland</b>	£3.1bn
<b>HSBC</b>	£1.7bn
<b>Total</b>	£18.76bn

- 2.16. The figures highlighted above demonstrate the nature of the PPI issue and the required level of provision set aside to compensate those that may have been mis-sold a PPI policy. On average, consumers receive around £2,500 each for a PPI claim before a CMC deducts its charges. Based on CMCs accounting for around 60% of the number of claims lodged, and the average completion fee of 30% of the final compensation amount, the Regulator estimates that CMCs have received over £3.5bn in consumer charges for PPI claims since 2011.

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<sup>9</sup> [www.fca.org.uk/consumers/financial-services-products/insurance/payment-protection-insurance/ppi-compensation-refunds](http://www.fca.org.uk/consumers/financial-services-products/insurance/payment-protection-insurance/ppi-compensation-refunds)

## Recalculation of PPI Pay-outs by Financial Services Providers

- 2.17. CMCs that impose significant charges on consumers without being able to demonstrate an appropriate level of added value to the consumer, may be in a position to take advantage of the situation for very little risk. For example, some CMCs are taking further payments from a consumer's compensation in instances where a previous claim was upheld but where, subsequently, the claim was recalculated to a higher amount. There may be a number of reasons for recalculations of a claim such as an error in the way it was originally calculated or an adjustment following an assessment or final decision at the Financial Ombudsman.
- 2.18. However, in these instances it is often the case that the CMC has not completed any additional work on behalf of its client, but will request an additional payment because the consumer has received more money from the original claim than the CMC pursued.

## Packaged Bank Accounts (“PBAs”)

- 2.19. PBAs are accounts which offer benefits such as insurance policies and preferential interest rates on borrowing in return for a monthly fee paid by the consumer. As with PPI policies, some consumers made a conscious decision to choose these types of accounts and make full use of the benefits that these types of accounts provide. However, some accounts were mis-sold, similar to the manner in which some PPI policies were mis-sold, although the scale of mis-selling is much lower.
- 2.20. The vast majority of PBA claims are also straight-forward, particularly when compared with other types of claims in the financial claims sector. As with PPI claims, consumers can complete a questionnaire setting out the details of their claim, based on the information they have available. As with all claims in the financial claims sector, consumers are able to refer their complaint to the Financial Ombudsman for an independent assessment if they remain unhappy with the outcome of any initial claim made directly to their lender.

## Resources and Guidance - PBA Claims

- 2.21. Free support on how to pursue a PBA claim for free is available online. Again, organisations such as consumer group Which?<sup>10</sup> provide comprehensive guidance to consumers about how to identify whether they may have been mis-sold a PBA and how to pursue this type of claim. The Financial Ombudsman<sup>11</sup> publishes special questionnaires on its website to assist consumers who want to make a complaint. The level of information and guidance on how to pursue these type of claims is becoming increasingly more accessible, helping consumers to understand their own position much more clearly. This type of guidance may also assist CMCs to pursue claims more efficiently in some cases.

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<sup>10</sup> [www.which.co.uk/consumer-rights/action/how-to-complain-about-your-packaged-account](http://www.which.co.uk/consumer-rights/action/how-to-complain-about-your-packaged-account)

<sup>11</sup> [www.financial-ombudsman.org.uk/publications/technical\\_notes/packaged-bank-accounts.html](http://www.financial-ombudsman.org.uk/publications/technical_notes/packaged-bank-accounts.html)

## PBA Claim Levels and Uphold Rates

- 2.22. For the year ending March 2015, the Financial Ombudsman reported a total of 21,964 new PBA claims being received with only 33% being upheld in the current climate. 72% of these new PBA cases were lodged by CMCs on behalf of consumers with only a further 17% being brought by consumers directly. However, information regarding the complexity of these claims is not available.
- 2.23. As with PPI claims, consumers that lodge PBA claims in the current market and directly generally, appear to be more likely to see their case upheld by the Financial Ombudsman. For the 2014/15 financial year, 42% of the complaints about PBAs that came from consumers directly were upheld, whilst the figure for those lodged by CMCs was much lower.
- 2.24. The level of PBA claims has grown sharply since the 2013/14 financial year where the Financial Ombudsman reported only a total of 5,831 new PBA claims. Consumers that lodged PBA claims directly during this period also saw a better chance of success.
- 2.25. It is possible that the level of PBA claims may continue to rise over the next reporting year. However, even if PBA claim levels rise, we do not expect that PBA claim levels will increase to the same scale that PPI claims have since the start of claims management regulation in 2007.

## Other Financial Claims

- 2.26. Other claims within the financial claims sector, such as mis-sold pensions and interest rate hedge funds, often require significant levels of work to pursue appropriately. There is a clear contrast between the processing of most PPI or PBA claims and other more complex financial products. CMCs that deal with complex claims such as investments and mortgages are usually directed by those with a detailed knowledge of the product and will carry out an appropriate investigation and analysis of any potential financial loss to the consumer.
- 2.27. It can be much more difficult to conduct an appropriate investigation and identify the parties that may be the source of any alleged mis-selling. The costs to complete more complex product claims and employ sufficiently experienced personnel that have the necessary expertise are likely to be much higher than any costs incurred to pursue PPI or PBA claims generally. The time taken to reach a conclusion and the level of work involved will, in most cases, be much more substantial.

## Resources and Guidance – Other Financial Claims

- 2.28. Although the value of using a CMC to pursue more complex claims in the financial claims sector is more apparent, general guidance is still available for those wishing to pursue claims themselves. As with the more simple, straight-forward claims, organisations such as the Financial Ombudsman provide assistance on how to lodge a complaint with a lender<sup>12</sup>. Some consumers will feel comfortable pursuing

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<sup>12</sup> [www.financial-ombudsman.org.uk/consumer/complaints.htm#3](http://www.financial-ombudsman.org.uk/consumer/complaints.htm#3)

more complex claims themselves, however the value of instructing a CMC for these complex matters is more obvious and CMCs are more readily able to justify their charges in this regard.

## **Other Financial Claims – Claim Levels and Uphold Rates**

- 2.29. It is clear that the level of PPI and PBA claims seen overall is significant when compared with the general level of other claims in the financial claims sector. During the 2014/15 financial year, the Financial Ombudsman reported that 103,218 new claims related to all other areas within the financial claims sector. The level of other financial claims made up only 37% of all claims lodged with the Financial Ombudsman whilst PPI claims alone made up around double this amount.
- 2.30. As with PPI and PBA claims, in the current market those lodging a complaint directly appear to be generally more likely to see their case upheld. For the 2014/15 financial year, 37% of other financial claims brought by consumers were upheld, with only 27% of those lodged by CMCs being upheld. The success rates for the 2013/14 financial year were almost identical, the only difference being that 36% of claims brought by consumers were upheld as opposed to 37%.
- 2.31. In comparison to PPI and PBA claims, the majority of other types of financial claims referred to the Financial Ombudsman, for both the 2013/14 and 2014/15 financial years, were lodged by consumers directly, with a significantly lower amount being lodged by CMCs.
- 2.32. In 2013/ 2014, only 6% of all other types of financial services claims lodged with the Financial Ombudsman were from CMCs with 80% being lodged by consumers directly. This declined further in 2014/2015, with 4% of all other types of financial claims coming from a CMC, and 82% being brought by consumers directly.

## **Citizen's Advice Bureau – Consumer Contacts**

- 2.33. Some consumers contact the Citizens Advice consumer service for advice relating to PPI and banking services more generally. During the 2014/15 financial year the Citizens Advice consumer service dealt with a total of 55,864 issues about professional and financial services from consumers in England and Wales (down from 60,910 the previous year) . A relatively small percentage of these issues related to PPI and bank accounts with a total of 1,237 contacts relating to PPI (down from 1,980 in 2013/14) and 1,783 (down from 1,870 in 2013/14) relating to banking services more generally. During the same period, local Citizens Advice services in England and Wales dealt with 13,540 issues about bank accounts (up 5% on the previous year) and 6,054 issues about PPI (down 28% on the previous year).
- 2.34. Citizens Advice has reported to us that data from their electronic case recording system for multiple debt casework for 2014/15 suggests that around 400 people appear to have a debt to a CMC along with other debts. These debts are likely to be charges imposed for pursuing claims. These consumers are likely to have had their compensation paid in the form of a reduction in the amount of any outstanding debt which means that they may not receive any money directly. The figures mentioned
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above do not point to the main issue with fees charged by some CMCs. However, it does indicate that, for some consumers, using a CMC has been detrimental to their own financial position. It is likely there are more consumers in similar positions where things could potentially have been better had they pursued alternative avenues for redress that do not cost any money.

### **3. Existing Requirements**

#### **Current Rules - Client Fees**

- 3.1. Regulated CMCs must comply with the Conduct of Authorised Rules 2014 (“CAPR”) as a condition of authorisation. There are currently no restrictions on how much a CMC can charge a client in upfront fees although there are requirements around the manner in which charges are imposed.
- 3.2. **Client Specific Rule (CSR) 11(e)** requires businesses to provide a client with information regarding any charge the business makes – where this is a percentage of compensation payable, the percentage must be indicated together with a typical example of the actual cost in pounds (£), or more than one example if the business makes differential charges.
- 3.3. **CSR 11(g)** requires all CMCs to provide clients with information on any costs that the client may have to pay, including repayments on a loan taken out for any purpose and the purchase of a legal expenses policy and whether the client will be liable to pay any shortfall in recoverable costs or premiums from the losing defendant party.
- 3.4. **CSR 11(k)** requires CMCs to provide clients with information about how a client may cancel the contract and the consequences of cancellation including the reimbursement of any costs paid during the cancellation period and any charges for work completed after the 14 day cooling off period.
- 3.5. The rules in this area focus on the transparency of fees and ensuring that consumers are aware of any charges they may face before entering into a contract. Consumers, however, do not appear to be gaining a full understanding of the information provided to them around fees. Many have reported that they feel the final charges imposed can be unnecessarily high, particularly where the consumer has been required to undertake a level of work themselves, such as completing the Financial Ombudsman questionnaire, or providing relevant documentation to a CMC that they could have provided either directly to their lender or the Financial Ombudsman.
- 3.6. The rules ensure that consumers are provided with clear and relevant information around the level of fees that could be imposed either upfront or upon the conclusion of a claim. In some instances however, even where CMCs are meeting their regulatory obligations, consumers do not understand the information they are presented with.
- 3.7. The rules do not prevent CMCs from imposing high charges either in advance or upon the conclusion of a claim. The proposed restrictions on fees would ensure that consumers, including those most vulnerable to marketing calls, are not subject to

high charges as a result of a lack of understanding of how charges will be applied or a failure to understand alternative options for bringing a claim.

## Current Rules - Transparency

- 3.8. The CAPR also contain rules around transparency in dealing with clients. This is to help ensure that consumers are aware of their options, as well as the potential implications and outcomes, should they wish to contract with a CMC.
- 3.9. **CSR 1(a)** requires regulated CMCs to act fairly and reasonably in dealings with all clients.
- 3.10. In accordance with **CSR 10**, before seeking to enter into a contract with a client, a CMC must make reasonable enquiries as to whether the client has alternative mechanisms for pursuing a claim and must advise the client unambiguously of ombudsman schemes or other official means of redress.
- 3.11. **CSR 12** states that, where a claim is one that falls within the province of the Criminal Injuries Compensation Authority, the Financial Ombudsman Service, the Financial Services Compensation Scheme, the Housing Ombudsman Service or any other recognised dispute resolution procedure, the CMC must not suggest that a claimant will have a more favourable outcome if he or she uses the services of the business.
- 3.12. **CSR 13** requires all regulated CMCs to make explicit to their clients their right to seek further advice or to shop around, subject to any time limits within which a claim must be made.
- 3.13. In accordance with **CSR 14**, regulated CMCs must take reasonable steps to ensure that the client is able to understand the contract that they are being asked to agree to.
- 3.14. Despite the fact that CMCs provide the required information to consumers around fee charges and alternative methods for bringing a claim, many consumers do not shop around for the best deal or seek out free alternatives. Consumers that ultimately contract with a CMC are opportunistic and likely to contract with the first CMC that makes contact with them, particularly if the first contact is made via telephone. Restrictions on fees in this area would therefore protect those that may not understand the information they are presented with when contracting with a CMC.

## Damages Based Agreements

- 3.15. In addition to the conduct rules, there are separate, legislative restrictions on any contractual agreement classed as a Damages Based Agreement (“DBA”) which apply to CMCs. A DBA is an agreement in which a consumer pays a fixed percentage (agreed at the start of the contract) of the final compensation awarded based on the amount of compensation received. Any DBA must comply with the **Damages-Based Agreements Regulations 2013**<sup>13</sup>.

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<sup>13</sup> [www.legislation.gov.uk/ukSI/2013/609/contents/made](http://www.legislation.gov.uk/ukSI/2013/609/contents/made)

- 3.16. The DBA regulations apply to solicitors and regulated CMCs. The current maximum payments that can be recovered from a claimant's damages are as follows;
- Personal Injury - **25%** of damages (excluding damages for future care and loss)
  - Employment - **35%** of damages
  - All other cases - **50%** of damages
- 3.17. Under current conditions, CMCs and solicitors may therefore take no more than **50%** of damages as payment in the financial claims sector.
- 3.18. Any new maximum fee limits that CMCs can charge consumers would apply to CMCs offering regulated services in England & Wales only and would be implemented via changes to the conduct rules. Breaches of these rules would constitute misconduct and a breach of the conditions of authorisation under the provisions of the Compensation (Claims Management Services) Regulations 2006.
- 3.19. We are considering what steps may be required to ensure that the DBA requirements are, as appropriate, consistent with any fee restrictions introduced via the CAPR. We would consult separately, in due course, on any proposed changes to the DBA Regulations that may be necessary.

## **4. Rationale and Proposals**

### **Rationale for Changes to the Rules – Consumer Fees**

- 4.1. Regulation was introduced in April 2007 to provide better safeguards for consumers and encourage the provision of quality services. In particular it aimed to, provide effectiveness and efficiency for those with a genuine claim to compensation, and tackle practices that had helped spread misconceptions and false expectations around compensation claims. The Government had previously given the claims management industry the opportunity to regulate itself, but saw no improvement in the behaviours and practices of CMCs.
- 4.2. Since the introduction of regulation, we have taken a number of steps to improve the regulation of CMCs and ensure the right behaviours and practices of CMCs. More specifically, we have sought to address issues relating to high charges, the failure of CMCs to undertake robust pre-complaint checks or to substantiate claims, the use of generic template letters and the making of speculative claims and other 'phishing' practices. However, these measures have not proved sufficient to ensure that the CMC industry conducts itself appropriately in terms of the pricing of its services to consumers in the areas detailed in this consultation.

- 4.3. In 2014, we implemented new rules to ensure that CMCs conduct themselves responsibly overall including, but not limited to, acting with professional diligence. This requirement was followed by a sub-set of specifically targeted addendums that required CMCs to carry out the following;
- a) To take all reasonable steps to investigate the existence and merits of each element of a potential claim before presenting it to a third party.
  - b) To make representations to a third party that substantiate and evidence the basis of the claim, are specific to each claim and are not fraudulent, false or misleading.
  - c) To ensure that claims referred to any recognised Ombudsman or dispute resolution scheme or compensation scheme comply with those organisations' procedures, include specific, appropriate and relevant information on individual claims and take account of relevant past decisions.
- 4.4. In December 2014, we also acquired powers to impose financial penalties on regulated CMCs where breaches of the CAPR were identified. This provided us with a full suite of powers which also includes the ability to vary, suspend or cancel the authorisation of a regulated CMC where breaches are proven. Additional powers were needed for the regulation of CMCs to allow us to take action for breaches of the rules (as well as the other enforcement options) but this does not provide any protection to consumers by way of ensuring their redress or a resolution to their claim.
- 4.5. These changes to the rules and the new enforcement provisions given to the Regulator have improved the operation of the industry considerably. However, the level of bulk claims within the system remains high whilst consumer awareness of the CMC costs and alternative mechanisms for making a claim at no cost appears to be low. Bulk claims continue to clog up the system and add additional pressures, both administrative and financial, to those dealing with claims. This has caused delays for those with legitimate claims, regardless of whether these have been lodged directly by a consumer or a CMC.
- 4.6. Despite various regulatory improvements, some CMCs in the financial claims sector continue to be seen as disreputable and do not act in accordance with the intention of the rules. Existing rules (in addition to the DBA Regulations) do not prevent high fees being charged for financial claims in practice as it is difficult to make a determination on what is reasonable under the circumstances of the existing criteria.
- 4.7. It is important that the consumer remains protected as the industry evolves over time and the Regulator must remain flexible in order to adapt to emerging issues within an industry that has already been proven to be unable to govern itself properly. The latest proposals to ban upfront fees and impose new maximum fee limits are designed to complement the previous regulatory measures by addressing specific and emerging issues identified within the industry.

## Bulk Claims - PPI / PBA Claims

- 4.8. Where bulk claim types such as PPI and PBAs are concerned, we believe that CMCs can, in some instances, offer little value to the consumer bringing a claim in practice. Consumers can be charged hundreds of pounds upfront for a claim to be taken forward or face having a large percentage of any final compensation awarded taken by a CMC where minimal work may have been completed on their behalf.
- 4.9. It also appears that the current position incentivises CMCs to bring speculative claims and conduct nuisance calls. In some cases, no policy is found as ever having been sold to a consumer or there is no relationship between a consumer and the lender at all. Claims of this nature which are pursued through to the end of the Financial Ombudsman process regardless, present a significant administrative and financial burden for lenders. It does not benefit consumers, as it raises expectations, and causes delays for both the consumer with the claim and other consumers with legitimate claims. This presents a particular concern where the process for pursuing a claim may be relatively straight forward.
- 4.10. As noted above, for a consumer to bring a PPI or PBA claim, the process is accessible and most consumers will be capable of submitting their own claim. Statistics produced by the Financial Ombudsman suggest that those that refer a complaint regarding financial services to the Financial Ombudsman directly, without using a CMC are generally more likely to see their complaint upheld, regardless of whether their complaint relates to a mis-sold PPI policy, PBA or other financial product.
- 4.11. For these types of simpler claims, the current arrangements allow for unnecessarily high fees to be charged in certain circumstances. In many cases, consumers can simply be left with a smaller proportion of compensation due to the fact that a CMC has pursued a claim on their behalf. It can be hard to identify the real value that a CMC brings for many of these straight-forward matters.
- 4.12. In some cases, consumers have also been left out of pocket where, for example, a CMC has charged an upfront fee but has subsequently either surrendered their authorisation or have had enforcement action taken (preventing the CMC from conducting regulated services) prior to the conclusion of a claim. In some cases, it may be possible for consumers to reclaim any upfront fee from their debit or credit card provider where the CMC can no longer offer a service, but this is not always the case. Consumers can be left out of pocket purely on the basis they chose to contract with a CMC to pursue a claim on their behalf, without fully understanding the amount that this would cost them.
- 4.13. We understand that many consumers are happy for a CMC to pursue a financial claim on their behalf, and in some instances they can add value for the consumer. We are however, keen to ensure that consumers who decide to use a CMC to handle their financial claim, receive better value for money. The proposed restrictions on fees would protect those that may not fully understand the information they are provided with by a CMC or by those that offer free alternative methods prior to a contract being agreed.
- 4.14. It also appears that consumers are sometimes unclear what the fee payable to the CMC will be. In particular, some consumers find fees solely based on a percentage of the award hard to understand where they have no idea of an indicative amount of

any possible compensation award. We feel that it is important that consumers are fully aware of the nature of any charges and that consumers should know, from the outset, the maximum monetary figure that they will have to pay, regardless of how much compensation they may ultimately receive.

- 4.15. The level of work involved in making a PPI or PBA claim rarely changes regardless of the ultimate value of a claim and we propose that it is appropriate for a maximum monetary figure to be specified as well as a percentage cap that the consumer would be required to pay for services in this area. Changes in this area would ensure that consumers are provided with better clarity on exactly how much they can expect to pay.
- 4.16. There is also a need to reduce incentives for CMCs to collect marketing leads by making nuisance calls. Some CMCs undertake intrusive marketing activity which contributes to the overall level of nuisance calls seen. This often leads to speculative claims being made on behalf of a consumer as often the costs attributed to these “have a go” claims can be offset against the high fees charged on other genuine claims. Changes in this area would incentivise CMCs to be satisfied a consumer was sold a PPI policy before pursuing a claim on their behalf.
- 4.17. Some CMCs also seek out consumers for the sole purpose of referring them to a third party to investigate the potential merits of a claim and do not undertake sufficient due diligence to establish whether a policy or other form of relationship exists between a lender and a consumer. Where incentives are reduced and the risks are higher for CMCs, it is expected that a ban on the payment or receipt of referrals fees for PPI and PBA claims will help to reduce the number of nuisance calls and the level of speculative claims being made.

## **Rationale for Changes to the Wider Financial Claims Sector**

- 4.18. It is equally important to recognise that some claims in the financial claims sector do require a considerable amount of work and time to investigate whether this is undertaken by the consumer themselves or a CMC. For more complex claims, the value of using a CMC is clearer. We believe that there is a need for further restrictions which would be more flexible than those to be put in place for bulk claims and closer to the existing damages-based agreement requirements seen in the Personal Injury sector.

## **Rationale for a Ban on Upfront Fees for All Financial Claims**

- 4.19. Upfront fees can sometimes provide an incentive for CMCs to contract with as many consumers as possible without applying an appropriate standard of care. This often manifests itself into a wider social problem through increases in the level of nuisance calls made to consumers and the number of speculative claims pursued. This clogs up the system for those with legitimate claims and creates a significant administrative and financial burden for lenders and the Financial Ombudsman.
- 4.20. Based on the information currently available to us, we also believe that upfront fees for regulated claims management services are inappropriate in the financial claims sector and that consumers should only be required to pay reasonable charges upon the conclusion of a claim. Further fee restrictions would reduce incentives for CMCs

to contract with as many consumers as possible and is expected to help reduce the level of nuisance calls, texts and speculative claims.

## Alternative Considerations

- 4.21. We have considered some alternative measures to imposing new fee limits via changes to the CAPR. These include a voluntary code and an increase in consumer awareness initiatives via lenders, consumer groups and the Financial Ombudsman.
- 4.22. The scope and suitability of these potential alternative options have been assessed against a number of general principles regarding their potential suitability. We have considered a range factors when formulating the main proposals as well as the consideration of alternatives. Factors considered include (but are not limited to);
- Whether any alternative measures could bring economic benefits to the financial claims sector that outweigh any associated costs to consumers or wider business
  - The ability of the financial claims sector to undertake appropriate, voluntary regulatory monitoring around fee charges
  - The nature of the competition within the industry
  - Whether alternatives to additional regulatory conditions could correspond with the best interests of consumers and wider business.
  - Whether there are incentives for CMCs operating in the financial claims sector not to participate in any non-regulatory measures

## Voluntary Code of Conduct

- 4.23. It is expected that the majority of CMCs would not comply or be willing to follow a voluntary code that reduces or restricts the level of fees that CMCs are able to charge consumers for financial claims. We think this is the case because of what we have previously seen within the CMC industry, and what we continue to see of CMC behaviours.
- 4.24. The Regulator was originally deemed necessary following a failure by the industry to improve its conduct or govern itself appropriately. Regulations and rules that govern the behaviours and practices of CMCs were introduced to help the industry improve its conduct. However, a number of CMCs currently do not follow the intention of the current rules, which are designed to rule out some practices that the proposals set out now seek to address further.
- 4.25. CMCs are required to comply with the rules as a condition of authorisation, yet can be seen to impose excessive fees in some cases. For example, the current rules state that any fees charged after the cancellation of a contract between a consumer and a CMC must be 'reasonable'. It is, however, difficult under the current rule framework to ascertain whether certain consumers have in fact been charged a reasonable fee in practice.
- 4.26. We believe that the best way to ensure consumers are not being charged excessively is to introduce reasonable fee limits across the whole financial claims

sector including cancellation fees. We believe that the proposed 15% or 10% (bulk claims) and 25% (other financial claims) are reasonable charges bearing in mind the levels of work typically required to pursue these different types of claims.

- 4.27. New maximum fee levels would require CMCs to charge no more than what we believe to be a reasonable maximum amount. This would make identifying rule breaches much easier and enable CMCs to be clearer on what level of fees would be deemed reasonable. This will assist compliance with not only the rules but the intention of the rules.
- 4.28. We believe that CMCs would have no incentive to sign up to a voluntary code that places restrictions on the levels of fees that could be charged to a consumer. Currently very few CMCs have been able to sign up to an existing voluntary code (the Professional Financial Claims Association Code<sup>14</sup>). The Professional Financial Claims Association operates a voluntary code for financial claims CMCs who are able to meet the PFCA's high standards and pass an assurance audit upon application.
- 4.29. Under this voluntary code CMCs agree not to charge consumers upfront fees, but the vast majority of its additional requirements focuses on providing better service to consumers, and additional requirements that are not formal conditions of authorisation to provide regulated claims management services. This code does not have any further restrictions on price. Despite this, the vast majority of financial claims CMCs have either not chosen to sign up or, have not been considered to meet a high enough standard of practice that would enable them to sign up to this code. At the moment, 5 CMCs out of a total of 850 CMCs operating in the financial claims sector are signed up to this voluntary code.
- 4.30. Additionally, other voluntary industry codes within business do not typically address pricing levels and tend to be focused on service. There may also be questions around whether CMCs would agree to reduce charges to a level deemed appropriate by the Regulator or whether a voluntary agreement between all regulated CMCs to fix a maximum fee would comply with competition law.
- 4.31. A voluntary code could also cause confusion amongst consumers as to what the fee charging requirements are and would effectively contradict the intention of the proposed changes. CMCs would have a clear monetary incentive not to follow a voluntary code, particularly if the numbers of CMCs choosing to work under the code remained low. The proposals are intended to ensure that charges are reduced, consumers receive better value for money and that the administrative and financial burden caused by speculative claims is reduced for lenders and other organisations such as the Financial Ombudsman. In addition, we are seeking to reduce incentives for CMCs to conduct nuisance calls where possible and improve the reputation and operation of the industry.
- 4.32. Therefore, as outlined above, we believe that the problems under consideration here would not be resolved sufficiently by a voluntary code.

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<sup>14</sup> [www.pfca.org.uk/code-of-practice.html](http://www.pfca.org.uk/code-of-practice.html)

## **Increase in consumer awareness initiatives via lenders, consumer groups and the Financial Ombudsman.**

- 4.33. We do not believe that an increase in consumer awareness initiatives would fully or sufficiently address the issues around a lack of understanding by consumers of their options and high fee charges. We have a duty to protect the interests of consumers as well as a duty to regulate CMCs to ensure that they provide a good service to those that wish to use them. We understand that some consumers may prefer to use a CMC to pursue a claim on their behalf and our role is to ensure that CMCs act appropriately in all dealings with consumers. We therefore believe that it would be inappropriate, for example, for us to actively advise consumers to pursue other avenues of redress. It is important however that consumers are made aware of their options, and that CMCs adhere to the conditions of their authorisation by advising clients unambiguously of alternative methods for bringing a claim, whether with help from the Financial Ombudsman or by themselves.
- 4.34. The level of advertising by CMCs is high and reaches consumers on a daily basis via television adverts, calls and texts. We have considered whether further steps could be taken by lenders, consumer groups and the Financial Ombudsman to increase consumer awareness of free alternative methods for pursuing a claim. However, these organisations already provide comprehensive guidance and assistance to consumers around the processes for making a claim for free, without using a CMC. The level of information in this regard is expected to increase as the industry continues to evolve however this will not guarantee that consumers do not make decisions based on a lack of a full understanding of what is being presented to them.
- 4.35. In addition, CMCs are already obliged to provide clear and comprehensive information to consumers about their options (including alternative methods) and potential charges to consumers should they be successful in making a claim, prior to the agreement of any contract. The issue appears to be that some consumers, even where provided with clear information regarding their potential options and relevant charges, do not fully understand the information they are presented with or the scope of the potential options available.
- 4.36. Some lenders also have guidance on their own websites and mechanisms that allow consumers to bring claims themselves. Although accessibility and exposure to this sort of information is expected to continue to improve, consumers currently do not appear to be understanding the costs to them of using a CMC early enough in the process.
- 4.37. We believe that the information provided by lenders, consumer groups, the Financial Ombudsman and CMCs operating in accordance with the current rules is clear. However, despite this, it appears that some consumers are not gaining a sufficient understanding of their options. We believe that the proposed measures would protect those that may not understand their options or the consequences of contracting with a CMC. Consumers should not be subject to high costs due to a lack of understanding of the information presented to them, regardless of whether this information reaches them via their lender, consumer groups, the Financial Ombudsman or CMCs.

- 4.38. An increase in the level of consumer awareness initiatives would provide consumers with better information, but it is unlikely to be enough on its own to address the wider issues of high fees being charged to those that use CMCs (whether this is through choice or a lack of understanding of the information provided to them around their options).

## The Proposals

- 4.39. Based on the level of information currently available, we propose to introduce the following restrictions and a number of safeguards via additions to the Conduct of Authorised Persons Rules 2014 as follows;

### PPI and PBA Claims only

- 4.40. **A completion fee cap of 15% (inc. VAT) of the net amount of the final compensation awarded, for one or more PPI or PBA claims with a lender, where the total net value of all relevant claims equals £2,000 or less** – This proposal is based on the best estimates and information currently available to the Regulator regarding the current average charging levels and the what the Regulator believes would be a more appropriate maximum charge for bulk claims at this stage. The basis of this proposal and the rationale that underpins it will be tested via this consultation exercise.
- 4.41. Based on the current information available, we feel that the proposed 15% cap would more accurately reflect the level of work typically required to undertake these types of bulk claims. A cap of 15% would ensure that consumers never receive less than 85% of the overall compensation awarded to them by a single lender per product type and would reduce the impact of any charges, particularly for those consumers that may be in financial difficulty.
- 4.42. This proposal would also set the claim value threshold and percentage limit at a level that is lower than the average claim amount (around £2,500) and well below the current level of charges seen (around 25% - 30% per claim). This would mean that average charging levels are significantly reduced and would also mean that CMCs operating in this area would need to become more efficient. This would create a clearer and more reasonable landscape for consumers, helping to increase consumer confidence in the industry.
- 4.43. A price comparison website recently launched by consumer champions Legal Beagles Compare<sup>15</sup> suggests that at least around 13 CMCs that appear on the site are, at the time of writing, currently charging completion fees between 10%-15% for PPI claims. It should be noted however that this service is still in its infancy and not all CMCs that offer financial claims services are listed on the site. The information published does however suggest that charges towards the lower end of the scale are viable and enable CMCs to operate at these lower levels in the financial claims sector for PPI claims in particular. We will be monitoring the progress of this site as it evolves accordingly and will also be seeking to obtain further evidence of specific current charging models currently in operation via this consultation exercise.

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<sup>15</sup> [lbcompare.co.uk/compare-claims-management-companies/payment-protection-insurance-ppi-reclaim/](http://lbcompare.co.uk/compare-claims-management-companies/payment-protection-insurance-ppi-reclaim/)

- 4.44. The proposed 15% cap would include VAT and apply to a collection of PPI or PBA claims with a single lender, regardless of when any individual claims relating to separate products are made. For example, the proposed 15% cap would apply to the total net value of an initial PPI claim lodged with lender 'A' and also any further PPI claims lodged with the same lender at any date in the future. The same would apply to all PBA claims lodged with a single lender. In addition, a consumer with a number of claims against two separate lenders could in theory be charged a maximum of 15% of the net value of all relevant claims with lender 'A' and also a maximum of 15% of the net value of relevant claims with lender 'B'.
- 4.45. The proposed 15% cap would be applicable to the net value of all cumulative claims relating to the same type of product. This accounts for any deductions made by a lender, such as where a PPI policy was previously cancelled part way through an agreement, with a proportion paid towards PPI being refunded to the consumer at the point of cancellation and prior to any claim being made.
- 4.46. Where a claim is concluded but then subsequently recalculated to a higher amount (for example, such as where it is proven that previous redress was undervalued), a CMC would remain bound by the proposed 15% overall cap on the net value of all relevant claims paid by the lender where they totalled less than £2,000. It is proposed that the new requirements in this area would be worded as follows;
- ***(PPI/PBA Claims Only) - Where the net total amount of compensation awarded by a single lender for one or more 'Payment Protection Insurance' or 'Packaged Bank Account' claims equals £2,000 or less, a business may not charge a client more than 15% (Inc. VAT) of the total net value of compensation awarded.***
- 4.47. **An overall total charge cap of £300 (inc. VAT) for one or more PPI or PBA claims with a lender – where the total net value of the claims awarded totals more than £2,000** – This proposal would mean that a consumer would never be charged more than the equivalent of 15% of the net total of all relevant claims valued at £2,000 and should increase consumer confidence in the sector. We believe that in practice, it should not cost more than £300 to pursue a bulk claim. This is based on the steps needed and time taken to pursue a claim which typically requires a consumer to complete a questionnaire and lodge this with their lender (or ultimately the Financial Ombudsman).
- 4.48. This would help consumers to understand that should they choose to contract with a CMC to lodge their claim, there will be a maximum amount they can be charged. This restriction would again apply to the total net value of all relevant claims per lender. It is proposed that the new requirement is worded as follows;
- ***(PPI/PBA Claims Only) Where the net total amount of compensation awarded by a single lender for one or more 'Payment Protection Insurance' or 'Packaged Bank Account' claims amounts to more than £2,000, a business may not charge a client more than £300 (Inc. VAT).***
- 4.49. **A maximum 'cancellation' fee of £300 (Inc. VAT) where a consumer cancels their contract with a CMC after the initial 14 day 'cooling off' period and an itemised billing requirement** – This would ensure that consumers never pay more than the prescribed limit where they decide to cancel their contract after the initial 14 day 'cooling off' period. It would also allow CMCs to reclaim any small costs incurred prior

to the conclusion of a claim. An itemised bill will help to ensure that CMCs justify and explain any charges incurred and provide clarity to consumers. It is proposed that the new requirement would be worded as follows;

- ***(PPI/PBA Claims Only) Where a client cancels their contract with a business after the 14 day ‘cooling off’ period, a business may only impose reasonable charges for any work completed. Charges must not exceed £300 (Inc. VAT) and a client must be provided with an itemised bill setting out what the charges relate to.***

4.50. **A ban on any charges to a consumer where it is identified that the consumer does not have any relationship or relevant policy with the lender** – This proposal is designed to reduce the level of speculative claims made and to reduce the administrative and financial burden on lenders and other organisations such as the Financial Ombudsman. Fewer speculative claims requiring investigation will allow more resources to be put towards genuine claims, freeing up the claims process for other consumers. It is also expected that the proposal would contribute to a reduction in speculative and nuisance calls being made to consumers and encourage CMCs to become more efficient in their marketing and general claim activity. It is again expected that changes in this regard would increase consumer confidence in the operation of the claims management industry. It is proposed that the terms of the ban are worded as follows;

- ***(PPI/PBA Claims Only) Where it is identified that no Payment Protection Insurance Policy or Packaged Bank Account exists for a client, or where no relationship exists, a business may not impose any charges on the client.***

4.51. **A ban on CMCs receiving or making any financial payment for referring or introducing a consumer to a third party in relation to PPI or PBA claims** – This would create an additional safeguard against CMCs that would look to alter their business from a consumer representative model, to a referral relationship with third parties. It is proposed that the new requirement would be worded as follows;

- ***(All Financial Claims) A business may not receive or make any financial payment to a third party for referring or introducing a client in relation to PPI or PBA claims.***

## Other Financial Claims Only

4.52. **A completion fee cap of 25% (Inc. VAT) of the net amount of the final compensation awarded per product for all other claims in the financial claims sector** – This would bring the maximum charge levels into line with the average level of charges seen throughout the sector and would also bring the restrictions in line with the current precedent set by the DBA regulations for Personal Injury matters. In addition, it recognises the fact there is likely to be more work required and undertaken to pursue a claim in this area. The new restriction would apply to any compensation paid out in relation to a particular product and would be worded as follows;

- ***(Other Financial Claims) A business may not charge a client more than 25% (Inc. VAT) of the net amount of the final compensation awarded per***

***product in any Financial Products & Services claims (excluding 'Payment Protection Insurance' or 'Packaged Bank Account' claims).***

## **All Claims in the Financial Sector**

4.53. **A ban on any upfront fees being charged to a consumer for the pursuit of any financial claim** – This would help to reduce incentives for CMCs to make nuisance calls and conduct other problematic marketing activity. This would also provide better conditions for consumers, who will only be required to pay reasonable charges once it has been ascertained whether or not they have a claim and are successful in making that claim. It is proposed that the new requirement would be worded as follows;

- ***(All Claims) A business may not charge an upfront fee to a client in relation to any financial claims.***

4.54. Indicative examples of how the proposed restrictions would work in practice are contained at Annex C

## **Alternative Proposals – Bulk Claims (PPI & PBA Claims)**

4.55. The above proposals have been formulated based on the evidence available to the Regulator prior to the launch of the consultation. This consultation seeks further evidence and we will also consider whether the proposed caps on the level of fees that can be charged for bulk claims in particular should differ.

4.56. We will therefore, also be considering whether the restrictions could go further as follows;

4.57. **A completion fee cap of 10% (Inc. VAT) of the net amount of the final compensation awarded, for one or more PPI or PBA claims with a lender, where the total net value of all relevant claims equals £2,000 or less** – This requirement would ensure that consumers never receive less than 90% of the overall compensation awarded to them by a single lender per product type. This would further reduce the impact of any charges, particularly for those consumers that may be in financial difficulty.

4.58. A cap at this level would bring the maximum completion fee down to the lowest known level of charges currently seen within the industry. Although resources for price comparison information of CMCs offering financial claims services has traditionally been non-existent, the recent launch of the Legal Beagles' Compare site provides an initial indicative insight into the range of charges current seen in the financial claims sector. The new comparison site suggests that there are a number of CMCs that currently charge a 10% completion fee for PPI claims specifically. Although it is not known how many CMCs in total charge towards the lower end of the scale, this consultation exercise is to be used to obtain a more definitive overview of charging levels that are currently in existence across the sector so that this information can be analysed further as necessary.

4.59. **An overall total charge cap of £200 (Inc. VAT) for one or more PPI or PBA claims with a lender – where the total net value of the claims awarded totals more than £2,000** – This would ensure that a consumer would never be charged more than the equivalent of 10% of the net total of all relevant claims valued at £2,000 and should

further increase consumer confidence in the sector. This restriction would again apply to the total net value of all relevant claims per lender.

- 4.60. **A maximum ‘cancellation’ fee of £200 (Inc. VAT) where a consumer cancels their contract with a CMC after the initial 14 day ‘cooling off’ period and an itemised billing requirement** – This would ensure that consumers never pay more than the prescribed limit where they decide to cancel their contract after the initial 14 day ‘cooling off’ period.

## **5. Implementation and Future Measures**

### **Implementation and Enforcement**

- 5.1. We expect any rule changes to come into effect during the second half of 2016. Changes to the rules would not affect any existing contractual agreements between consumers and CMCs as the restrictions would not apply retrospectively. Any new conduct rules would only apply to contracts agreed with consumers after the implementation of the new requirements.
- 5.2. Breaches of any new rules in this area would constitute misconduct and a breach of the conditions of authorisation under the Compensation (Claims Management Services) Regulations 2006. Compliance with the new rules would therefore be rigorously enforced and non-compliant CMCs would be subject to formal enforcement action ranging from a financial penalty to the variation, suspension or complete cancellation of authorisation to provide regulated claims management services.

### **Future measures**

#### **Damages Based Agreements Regulations**

- 5.3. The proposals set out in this consultation would place further conduct requirements on CMCs that all CMCs operating in the financial claims sector would be required to adhere to as a condition of authorisation. Although we are not proposing any changes to the DBA Regulations as part of this particular consultation, the Government would look to consult on any proposed amendments to the DBA Regulations.

## Financial Conduct Authority (“FCA”) Consultation – Rules & Guidance on PPI Complaints

- 5.4. The FCA is currently consulting on proposals to introduce a time-bar for the bringing of PPI complaints. The consultation sets out and asks for a number of views on a number of proposals including;
- A new rule that would set a deadline by which consumers would need to make PPI complaints or else lose their right to have them assessed by lenders or the Financial Ombudsman.
  - An FCA-led consumer campaign designed to inform consumers of the deadline and a new fee rule for the funding of this campaign.
  - New rules and guidance on the handling of PPI complaints in light of the Supreme Court’s decision in Plevin vs Paragon Personal Finance Ltd (“Plevin”).
  - Applicability of the proposed deadline for PPI complaints falling within the scope of Plevin.
- 5.5. Should the FCA decide to implement a time-bar for bringing PPI complaints in due course, it is proposed that any new conduct rules that apply to CMCs in the financial claims sector, in relation to fees, are implemented in advance of any commencement of a time-bar. This is because, where a time-bar is imposed, it is possible that many CMCs would increase their marketing activity in order to contract with as many consumers as possible in order to maximise profits before the time period for bringing PPI claims ends. We would therefore look to ensure that lenders and the Financial Ombudsman are not subject to increased levels of speculative claims due to an increased level of marketing activity.
- 5.6. The FCA’s separate consultation closes on **26 February 2016** and can be found online here:
- [www.fca.org.uk/static/fca/documents/consultation-papers/cp-15-39-ppi-complaints.pdf](http://www.fca.org.uk/static/fca/documents/consultation-papers/cp-15-39-ppi-complaints.pdf)
- 5.7. We will be considering the outcome of this consultation in due course.

## Potential Reforms to Other Regulated Sectors

- 5.8. We will be conducting a wider assessment of whether similar fee or other controls may be required in other regulated claims management sectors such as Personal Injury and Employment, in due course. The questionnaire at the end of this consultation document asks a number of questions around whether there is a case for wider reform. Views are welcome as to the potential merits or costs of extending the scope of some or all of the proposed restrictions in the financial claims sector, to other regulated sectors and whether further public consultation should be undertaken in this regard.

## **6. Questionnaire**

6.1. The proposals set out in the consultation have been formulated based on our evaluation and analysis of information available prior to the launch of the consultation. We would welcome further information or any relevant evidence that provides further insight into the need for further restrictions and the potential effects of the proposals. We would also welcome any relevant evidence or feedback regarding the rationale we have set out regarding these proposals. We will conduct a further analysis of evidence provided in any response to this consultation in order to finalise any changes as may be appropriate.

6.2. We would therefore welcome responses to the following questions set out in this consultation paper;

### **PPI / PBA Claims Only**

**1. Do you have any comments regarding the proposals to implement;**

- **A cap of 15% (Inc. VAT) of the net amount of the final compensation awarded with a single lender, where any final compensation amounts to less than £2,000?**
- **A cap of £300 for the total net value of relevant claims awarded with a single lender that amount to more than £2,000?**
- **A maximum cancellation fee of £300 where a consumer cancels their contract after the 14 day ‘cooling off’ period and providing an itemised bill to that consumer?**
- **A ban on any charges being imposed on consumers where there is no relationship or relevant policy between the consumer and a lender?**
- **A ban on receiving or making payment for referring or introducing a consumer to a third party?**

### **PPI / PBA Claims – Alternative Considerations**

**2. Do you have any comments regarding the consideration of alternative proposals to implement;**

- **A cap of 10% (Inc. VAT) of the net amount of the final compensation awarded with a single lender, where any final compensation amounts to less than £2,000?**
- **A cap of £200 for the total net value of relevant claims awarded with a single lender that amount to more than £2,000?**
- **A maximum cancellation fee of £200 where a consumer cancels their contract after the 14 day ‘cooling off’ period and providing an itemised bill to that consumer?**

## Other Financial Claims (excluding PPI/PBA claims)

3. Do you have any comments regarding the proposed cap of 25% (Inc. VAT) of any final compensation awarded for other claims in the financial claims sector?

## All Financial Claims

4. Do you have any comments in relation to the proposed ban on upfront fees charged to consumers for any financial claim?

*Please provide views on any particular risks or benefits to the industry or consumers in relation to these questions. We would also welcome any general views or suggested amendments with supporting evidence where appropriate.*

## General Analysis and Rationale

5. In relation to the analysis and rationale set out regarding these proposals, is there any information that has not been taken into account that should have been?

## Impact Assessment

6. Do you have any evidence relating to the total volume of claims made by CMCs?
7. Do you have any evidence relating to the average amount of consumer redress per case?
8. Do you have any evidence on the number of cancellations which occur for work completed after a 14 day “cooling off period”?
9. Do you have any evidence on how much a reduction in ‘nuisance’ calls will benefit lenders and/or the Financial Ombudsman?
10. Do you have any evidence on how much a reduction in ‘speculative’ claims would save lenders and/or the Financial Ombudsman?

**Questions for CMCS only** (*if you are not responding on behalf of a regulated CMC please go to question 20*)

11. Do you charge an upfront fee? If so, how much?
12. Where a consumer cancels their contract after the 14 day cooling period how are costs calculated and what are the average charges for those that cancel?
13. Do you charge a completion fee or take a percentage from any compensation awarded to a client? If so, how much? (*Please provide details as to the nature of these agreements - i.e. whether these are classed as Damages Based Agreements or other types of agreement*)

- 14. How much does it cost your business on average to pursue a single PPI or PBA claim?**
- 15. How does your business calculate any upfront or completion fees for financial claims? What are the current rates charged to consumers?**
- 16. In terms of profit, how much does your business make per annum in relation to PPI, PBA and other financial claims?**
- 17. How would the proposed restrictions on fees affect the operation of your business?** *In particular, please provide any information with regards to business viability, profitability or any other relevant operational issues. A comparison of the costs of operation now versus a predicted cost of operation following the implementation of the proposed changes would demonstrate this best.*
- 18. On average, what is the volume (%) of initial investigations undertaken where there is no relationship or relevant policy between a consumer and a lender is ultimately found?**
- 19. Generally, what would the initial and ongoing operational costs be to your business in order to ensure compliance and what would this involve?**

*Please note that any information provided will be treated in confidence and only used for statistical analysis in relation to the current industry position and the appropriateness of any future reforms. Figures may be collated and evaluated in order to provide a further analysis and a more detailed overview of the current industry position for the response to consultation and impact assessment. Any information provided in this area will assist the Regulator to finalise the proposals accordingly. If you wish to provide a response in confidence, please make this clear in any response to this consultation.*

## **Other Regulated Claims Management Sectors**

- 20. Is there a need to consider further fee controls in other regulated claims sectors such as Personal Injury or Employment in future?**

*Please provide information to support a case for the proposed restrictions to be widened or, alternatively, remain focused within the financial claims sector alone.*

**Thank you for participating in this consultation exercise.**

## About you

Please use this section to tell us about yourself

<b>Full name</b>	
<b>Job title</b> or capacity in which you are responding to this consultation exercise (e.g. member of the public etc.)	
<b>Date</b>	
<b>Company name/organisation</b> (if applicable):	
<b>Address</b>	
<b>Postcode</b>	
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.

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## Contact details/How to respond

Please send your response by 11/04/2016 to:

**Mr Ashley Palmer**  
**Ministry of Justice**  
**Claims Management Regulation – HQ Office**  
**10<sup>th</sup> Floor – 10.11**  
**102 Petty France**  
**London SW1H 9AJ**

**Tel: 020 3334 6176 / 3173**

**Email: [claimsmanagementregulation@justice.gsi.gov.uk](mailto:claimsmanagementregulation@justice.gsi.gov.uk)**

### Complaints or comments

If you have any complaints or comments about the consultation process you should contact the Ministry of Justice at the above address.

### Extra copies

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

Alternative format versions of this publication can be requested from [email/telephone number of sponsoring policy division].

### Publication of response

A paper summarising the responses to this consultation will be published in early 2016. The response paper will be available on-line at <https://consult.justice.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 principles**

The principles that Government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation are set out in the consultation principles.

<https://www.gov.uk/government/publications/consultation-principles-guidance>

## **Annex A – Impact Assessment**

Impact Assessment attached as a separate document.

## **Annex B – List of Regulatory Consultative Group (“RCG”) Members**

Advertising Standards Authority (ASA)  
Advisory, Conciliation and Arbitration Service (ACAS)  
Association of British Insurers (ABI)  
Association of Independent Financial Advisors (AIFA)  
Association of Personal Injury Lawyers (APIL)  
British Bankers Association (BBA)  
British Insurers Brokers Association (BIBA)  
Building Societies Association (BSA)  
Citizens Advice Bureau (CAB)  
Claims Standards Council (CSC)  
Council of Mortgage Lenders (CML)  
Financial and Leasing Association (FLA)  
Financial Ombudsman Service (FOS)  
Financial Services Authority (FSA)  
Forum of Insurance Lawyers (FOIL)  
Law Society  
Office for Legal Complaints (OLC)  
Legal Services Board (LSB)  
Motoring Accident Solicitors (MASS)  
National Debtline  
Office of Fair Trading (OFT)  
Solicitors Regulation Authority (SRA)  
UK Cards Association  
Unison/TUC  
Which?

## Annex C – Indicative examples

### Proposed framework (1)

Financial Products & Services Claims						
Scope	Claim Type	Pre-Settlement		Post-Settlement		Applicability
		Upfront Fee	Maximum Cancellation Fee ( <i>Inc. VAT</i> )	Completion Fee % Cap ( <i>Inc. VAT</i> ) - Total net claim value £2,000 or less	Completion Fee Cap ( <i>Inc. VAT</i> ) - Total net claim value more than £2,000	
Per Lender	PPI	Prohibited	£300	15%	£300	Total net value of all PPI claims
	PBA			15%	£300	Total net value of all PBA claims
	All Other FPS			25%	N/A	Total net value per individual product

**Bulk claims (1)**

Single PPI and/or PBA Claim - Single Lender - Claim Value Below Threshold								
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£1,000	No	15%	£150	£225
		PBA	01/10/2016	£500	No	15%	£75	

Single PPI and/or PBA Claim - Single Lender - Claim Value Above Threshold								
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£2,100	Yes	£300	£300	£600
		PBA	01/10/2016	£2,050	Yes	£300	£300	

## Bulk claims (1)

Multiple PPI and/or PBA Claims - Single Lender - Claim Values Below Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£700	£1,700	No	15%	£255	£330
		PPI	02/04/2017	£1,000					
		PBA	01/11/2016	£400	£500	No	15%	£75	
		PBA	10/07/2017	£100					

Multiple PPI and/or PBA Claims - Single Lender - Claim Values Above Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£700	£2,700	Yes	£300	£300	£600
		PPI	02/04/2017	£2,000					
		PBA	01/11/2016	£1,200	£2,100	Yes	£300	£300	
		PBA	10/07/2017	£900					

## Bulk claims (1)

Multiple PPI and/or PBA Claims - Multiple Lenders - Claim Values Below Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£1,500	£1,500	No	15%	£225	£525
		PBA	02/04/2017	£500	£500	No	15%	£75	
	B	PPI	01/11/2016	£1,200	£1,200	No	15%	£180	
		PBA	10/07/2017	£300	£300	No	15%	£45	

Multiple PPI and/or PBA Claims - Multiple Lenders - Claim Values Above and Below Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/12/2016	£500	£2,600	Yes	£300	£300	£915
		PPI	01/10/2016	£2,100					
		PBA	02/04/2017	£400	£400	No	15%	£60	
	B	PPI	01/11/2016	£1,000	£1,700	No	15%	£255	
		PPI	10/07/2017	£700					
		PBA	11/08/2017	£2,100	£2,100	Yes	£300	£300	

### Bulk claims (1)

Multiple PPI and/or PBA Claims - Multiple lenders - Claim Values Above Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/12/2016	£2,001	£4,002	Yes	£300	£300	£1,200
		PPI	01/10/2016	£2,001					
		PBA	02/04/2017	£2,001	£2,001	Yes	£300	£300	
	B	PPI	01/11/2016	£3,000	£5,001	Yes	£300	£300	
		PPI	10/07/2017	£2,001					
		PBA	11/08/2017	£2,001	£2,001	Yes	£300	£300	

### Non-bulk claims (1)

Other FPS claims with a single lender							
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	Other FPS	01/10/2016	£1,000	25%	£250	£375
		Other FPS	01/02/2017	£500	25%	£125	

**Other FPS claims - multiple lenders**

Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	Other FPS	01/10/2016	£1,000	25%	£250	£1,725
		Other FPS	01/02/2017	£500	25%	£125	
	B	Other FPS	06/10/2016	£2,000	25%	£500	
		Other FPS	02/04/2017	£3,400	25%	£850	

**Proposed framework (2)**

<b>Financial Products &amp; Services Claims</b>						
Scope	Claim Type	Pre-Settlement		Post-Settlement		Applicability
		Upfront Fee	Maximum Cancellation Fee <i>(Inc. VAT)</i>	Completion Fee % Cap <i>(Inc. VAT)</i> - Total net claim value £2,000 or less	Completion Fee Cap <i>(Inc. VAT)</i> - Total net claim value more than £2,000	
Per Lender	PPI	Prohibited	£200	10%	£200	Total net value of all PPI claims
	PBA			10%	£200	Total net value of all PBA claims
	All Other FPS			25%	N/A	Total net value per individual product

**Bulk claims (2)**

Single PPI and/or PBA Claim - Single Lender - Claim Value Below Threshold								
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£1,000	No	10%	£100	£150
		PBA	01/10/2016	£500	No	10%	£50	

Single PPI and/or PBA Claim - Single Lender - Claim Value Above Threshold								
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Example only)</i>	Claim Value	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£2,100	Yes	£200	£200	£400
		PBA	01/10/2016	£2,050	Yes	£200	£200	

## Bulk claims (2)

Multiple PPI and/or PBA Claims - Single Lender - Claim Values Below Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£700	£1,700	No	10%	£170	£220
		PPI	02/04/2017	£1,000					
		PBA	01/11/2016	£400	£500	No	10%	£50	
		PBA	10/07/2017	£100					

Multiple PPI and/or PBA Claims - Single Lender - Claim Values Above Threshold									
Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£700	£2,700	Yes	£200	£200	£400
		PPI	02/04/2017	£2,000					
		PBA	01/11/2016	£1,200	£2,100	Yes	£200	£200	
		PBA	10/07/2017	£900					

**Multiple PPI and/or PBA Claims - Multiple Lenders - Claim Values Below Threshold**

Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/10/2016	£1,500	<b>£1,500</b>	No	10%	£150	<b>£350</b>
		PBA	02/04/2017	£500	<b>£500</b>	No	10%	£50	
	B	PPI	01/11/2016	£1,200	<b>£1,200</b>	No	10%	£120	
		PBA	10/07/2017	£300	<b>£300</b>	No	10%	£30	

**Multiple PPI and/or PBA Claims - Multiple Lenders - Claim Values Above and Below Threshold**

Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/12/2016	£500	<b>£2,600</b>	Yes	£200	£200	<b>£610</b>
		PPI	01/10/2016	£2,100					
		PBA	02/04/2017	£400	<b>£400</b>	No	10%	£40	
	B	PPI	01/11/2016	£1,000	<b>£1,700</b>	No	10%	£170	
		PPI	10/07/2017	£700					
		PBA	11/08/2017	£2,100	<b>£2,100</b>	Yes	£200	£200	

**Multiple PPI and/or PBA Claims - Multiple lenders - Claim Values Above Threshold**

Consumer	Lender	Claim Type	Date Claim Lodged <i>(Indicative Examples only)</i>	Claim Value	Total Claim Value <i>(Per product type and lender)</i>	Claim value Threshold (£2k) Exceeded?	Completion Fee Cap <i>(Inc. VAT)</i>	Maximum Charge to Consumer <i>(Inc. VAT)</i>	Maximum Total Charge to Consumer <i>(Inc. VAT)</i>
1	A	PPI	01/12/2016	£2,001	<b>£4,002</b>	Yes	<b>£200</b>	<b>£200</b>	<b>£800</b>
		PPI	01/10/2016	£2,001					
		PBA	02/04/2017	£2,001	<b>£2,001</b>	Yes	<b>£200</b>	<b>£200</b>	
	B	PPI	01/11/2016	£3,000	<b>£5,001</b>	Yes	<b>£200</b>	<b>£200</b>	
		PPI	10/07/2017	£2,001					
		PBA	11/08/2017	£2,001	<b>£2,001</b>	Yes	<b>£200</b>	<b>£200</b>	







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