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[Stuart Andrew MP]

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[17th September 2020]

Dear Stuart

**The Cost of Financial Services Regulation & The Annual Fees Paid by FCA Regulated Firms**

It is 20 years since Parliament passed The Financial Services and Markets Act 2000. This made regulation in the UK is notionally “independent” of Government. This allows HM Treasury to blank MPs requesting change or action. Recent campaigns demanding action over Regulation and its costs have fallen down this rabbit hole.

However, there is one Parliamentary body that has oversight and that is the Treasury Select Committee (TSC) which can order enquiries into any aspect of regulation.

**So, we are asking you to write to Mel Stride MP, Chairman of the Treasury Select Committee to embark on a detailed enquiry on regulation and its costs.**

I have run a well-established Independent Financial Advice (IFA) firm for many years and the recent increase in FCA / FSCS levy / FOS costs are making it exceedingly difficult to budget each year and carefully consider future planning. In the last 12 months the Regulator fees have increased from [£XXXXX to £ZZZZ] – this is an increase of [XX 80%] in just one year.

[Maybe we should put a 5-year comparison in as well?]

**These costs are passed via my firm to our clients and as such over [25%] of the fees we charge go straight out in these costs.**

In the year 2014/15, the combined operating cost of the FCA / FOS / FSCS (excluding any compensation was £804 million), for 2020/21 this is £980 million (FCA £588m / FOS £314m / FSCS £78m). As this approaches £1billion and after 20 years without meaningful scrutiny, the effectiveness of the main Regulator must be questioned. A few examples: -

1. **British Steel Pension failures:** The majority of advisory activity was between October 2016 and August 2017. South Wales & South Yorkshire were two regional areas affected due to the British Steel plants. The FCA ran Defined-Benefit transfer (DBT) advice seminars for IFAs in Swansea & Doncaster during November 2017. At least 12 months late. Future FSCS interventions are now expected.
2. **London Capital & Finance (LCF) failure:** It is well-known that the FCA were told of serious concerns in November 2015, three years before LCF went into administration. The FSCS is now paying out millions of pounds in compensation and passing the costs to IFAs.
3. **George Osborne announced Pensions Freedom in 2014, these started on the 6th April 2015 and resulted in many DBT’s**. On the 5th June 2020 – the FCA issued a comprehensive guidance documents on DBT best practice (GC20/1 & PS20/6). In our opinion, this was required in Q3 of 2016.
4. **SIPPs and Unregulated investments (UCIS):** There is a catalogue of failures by the FCA linked to the poor Supervision of SIPP providers. Failing SIPP providers are covered by the FSCS and the costs are passed to remaining FCA authorised firms.

Please can I urge you to encourage the Treasury Select Committee to think seriously about the increasing financial strain which this is putting on good quality, reliable firms like ours. The increasing FCA levies and the ever-increasing cost of Professional Indemnity Insurance is very likely to put well run firms out of business and/or significantly increase costs to clients.

As one of your constituents, I would be grateful if you could raise this matter urgently with Mel Stride, Chairman of the Treasury Select Committee.

Yours sincerely

**John Smith**

**Managing Director**