

# **Restricting fees in financial mis-selling work**



To make rules that prevent excessive charging within claims management agreements and activities relating to financial products or services

# Law firms and claims management work



- We're a designated professional body (DPB) under the Financial Services & Markets Act 2000
- We regulate some claims management activities carried out by law firms as part of the legal services they provide
- Financial Conduct Agency (FCA) - primary regulator of claims management companies

# The FCA's approach

- Consumers currently are paying too much to get redress

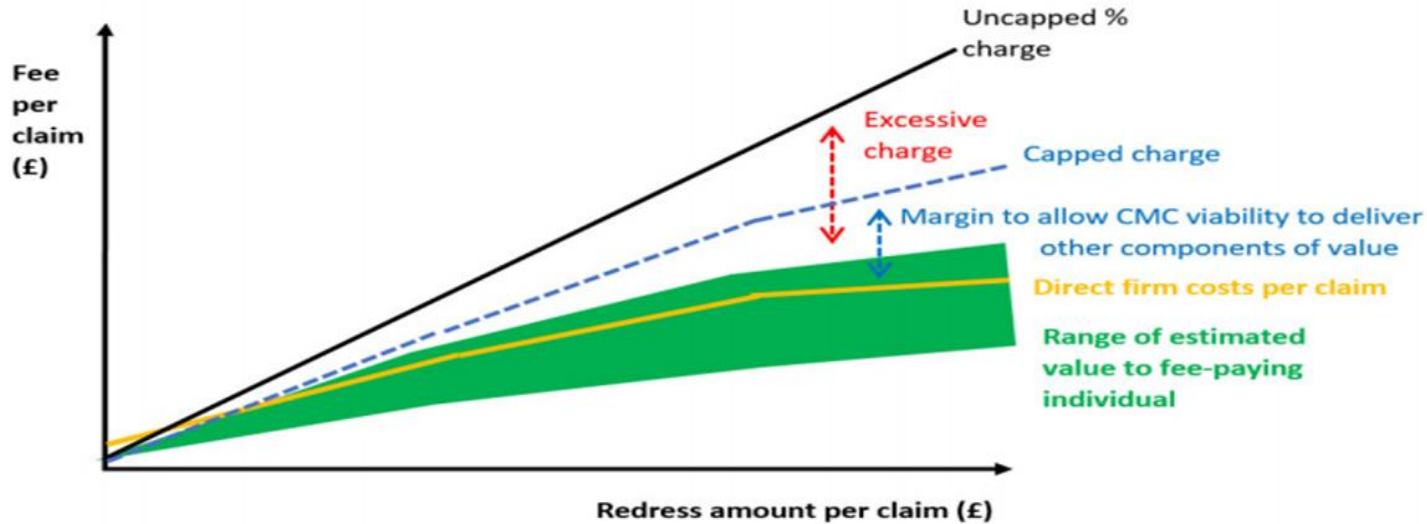
	Redress band		Average value to the individual			Claims where charges are higher than average value to the individual		
	Lower	Upper	Average	Average (lower bound)	Average (upper bound)	Number	%	Average fee rate
1	£1	£1,499	£128	£55	£203	6,637	50%	30%
2	£1,500	£9,999	£385	£184	£588	6,100	90%	31%
3	£10,000	£24,999	£1,149	£577	£1,721	1,001	84%	27%
4	£25,000	£49,999	£2,231	£1,142	£3,319	837	94%	23%
5	£50,000	NA	£2,286	£1,179	£3,392	617	96%	18%

- Two components of value:
  - Value to the individual fee-paying consumer
  - Wider value to society or consumers more generally

# The FCA's design

Redress band	Consumer redress obtained		Max % rate of charge	Max total fee (£)
	Lower (£)	Upper (£)		
1	£1	£1,499	30%	£420
2	£1,500	£9,999	28%	£2,500
3	£10,000	£24,999	25%	£5,000
4	£25,000	£49,999	20%	£7,500
5	£50,000	N/A	15%	£10,000

# The FCA's design



# Is the FCA a suitable benchmark?

- Call for evidence
- This is our starting point
- Engaging with stakeholders to identify relevant considerations and evidence
- Further opportunities for consultation



# Key considerations

- Role solicitors play in helping people make a claim/types of claim
- Whether or not this is different to a claims management companies or results in different outcomes
- How law firms operate which may impact on sustainability as a result of fee restrictions
- Unintended consequences?



# Talking to law firms and stakeholders in the financial services sector

- We need better information on profile of work, costs and charging methods
- Response to earlier survey disappointing
- This may inform other options for consultation
- Look out for survey later in the summer



# Talking to the public and groups that represent their interests

We will:

- seek views from people who have received claims management services from law firms
- talk to consumer groups, charities and other frontline advice agencies
- to understand customers experience of using a law firm to progress a claim

