MP letter – Aug 2020 – Also send a copy to … **Mr Nikhil Rathi,** Chief Executive, The Financial Conduct Authority, 12 Endeavour Square, London E20 1JN and **Mel Stride MP**, Chair, Treasury Select Committee, House of Commons, London, SW1A 0AA - mel.stride.mp@parliament.uk

IFA Address
1 Town Street
Headingley
Leeds
LS28 1AQ

https://members.parliament.uk/FindYourMP
Stuart Andrew MP
House of Commons
Houses of Parliament
London
SW1A 0AA
stuart.andrew.mp@parliament.uk

10th August 2020

Dear Stuart

The cost of Financial Services Regulation & the annual fees paid by FCA Regulated firms

As one of your constituents, I would be very grateful if you could raise this matter urgently with the Chancellor of the Exchequer and the Business Secretary.

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 very difficult to budget each year and properly 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.

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, the effectiveness of the main Regulator must be questioned. For example:-

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 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.

Yours sincerely

John Smith
Managing Director