TISAtalk 10th June 2014

TUMBLING DICE

In the wake of the continuing raft of Consultative Papers and Thematic Reviews, there was a small respite for the advisory community in recent announcements from the FCA.

The FCA has scrapped a full review of the way it calculates firms' regulatory fees after deciding to continue with its current methodology following discussions with the industry.

In April 2013, the regulator set out plans to explore alternative methods for allocating regulatory fees, including charging fees based on income or risk. This led on to the proposal to issue a discussion paper on the subject last autumn. Subsequently, following industry talks this was then delayed until Q1 2014.

However, the FCA says it has now decided to stick with its current approach and will not issue a discussion paper on the subject. This follows industry discussions which considered the alternatives of income-based and risk-based fees. The regulator says this is because its current methodology "makes a stronger link between where we allocate our resources and the fees charged than either of the alternative approaches would", and because it can operate its current approach "efficiently".

This is an interesting view at this point in time. The changes that are happening in the pensions and long-term care market mean it has never been more important that consumers have access to affordable advice. The regulator stated, "We have worked hard to ensure that small firms we regulate pay the least and increases are mainly borne by larger and more complex groups. We said in the Journey to the FCA that we would explore the possible alternatives for how we raise our fees. During the latter half of 2013 we engaged with stakeholders, including trade bodies, as part of the review. These stakeholders did not propose any fundamental alternatives at the outset of the review so we sought views, in principle, on two possible approaches, a revenue approach and a firms' categories approach. The discussions with stakeholders yielded no broad consensus for such a degree of departure from our current approach so we have decided to stick to the current model."

The FCA calculates fees by splitting firms into 14 different fee blocks based on their regulatory permissions, and according to the size of regulatory activity they undertake.

Peter Smith, Head of Distribution Engagement