Financial Conduct Authority

Data Bulletin

June 2016

Issue 6

In this issue

Introduction from the editor

Jo Hill
Director of Market Intelligence, Data & Analysis

In our drive to be an effective regulator we want to be open and transparent in communications with firms and with the public. The Data Bulletin seeks to do this by highlighting interesting and insightful data about our activity as a regulator.

In this, our sixth edition of the Data Bulletin, we share regular updates on key areas of interest, including Consumer Credit Authorisations, for which almost all firms with an interim permission have applied. Between 1 May 2014 and 31 March 2016, 37,362 firms had applied as new firms or been grandfathered. 31,006 of these firms had received authorisation as of 31 March 2016.

Also included in this edition is data regarding complaints against the FCA, financial promotions, attestations and skilled persons reports.

As well as increasing our transparency as a regulator, we are looking to review the way we share data with consumers and firms over the next six months. We are keen to hear any ideas you might have as to how we can improve our data publications going forward. Please email your feedback to us at: fcadataandanalysis@fca.org.uk

Kind regards,

Jo Hill
Director of Market Intelligence, Data & Analysis

Contents

What we will cover in this issue

In this issue we provide updates on previously featured data.

Featured in this issue

Consumer Credit Authorisations

On page 4 we revisit this topic with updated data and analysis on the progress we have made on consumer credit firms.

FCA complaints

We provide an update on the latest figures on complaints against the FCA. Between 1 December 2015 and 29 February 2016 the FCA received 232 complaints.

Financial promotions

In each bulletin we publish statistics about how we review and act on certain financial promotions. Between Q4 2015 and Q1 2016, 69 cases resulted in one or more promotions being amended or withdrawn through our interaction with firms.

Update on attestations

Attestations are a tool that we use to ensure that firms are focused on resolving specific issues.

In this issue we provide an update on attestation statistics, including breakdowns by firm categories and sectors. During Q3 and Q4 2015/16 we requested 22 attestations.

Skilled person reports

As well as attestations we also use skilled person reports to conduct independent reviews of regulated firms (s. 166).

On page 9 we provide data on the number of skilled person reports by sector for Q3 and Q4 2015/16.

Updates from previous editions:

Consumer Credit Authorisations data

In previous Data Bulletins we published data on the authorisation process for consumer credit firms. In this issue we provide the key figures as at 31 March 2016, the point at which the majority of consumer credit firms had applied.

To help interpret these and explain how the data fits together, we have provided a flow chart on the next page that shows the number of firms at each stage of the process. We recommend you read the key figures together with the flow chart.

Key figures as at 31 March 2016

Size and nature of the market[1]

There were **33,853 consumer credit firms (excluding appointed representatives).**

Of these, 30,309 had been authorised (743 grandfathered and 29,566 that had applied and been authorised). A further 3,544 had an interim permission.

1,091 applications from new-to-market firms were in the process of being determined.

The majority of the authorised firms have been granted permission to carry out credit broking.

Applications

36,582 firms had applied for authorisation (25,643 in application periods and 10,939 new-to-market). **780 firms were grandfathered.**

23,829 firms with interim permission had lapsed or cancelled.

Overall, 66% of eligible firms in application periods applied, including 6,241 firms that had become appointed representatives and 527 firms that reapplied after lapsing/cancelling.

Determinations

Determinations are applications that can be approved or refused by the FCA, or withdrawn by the firm.

87% of firms had their cases determined by the end of March (32,753 firms).

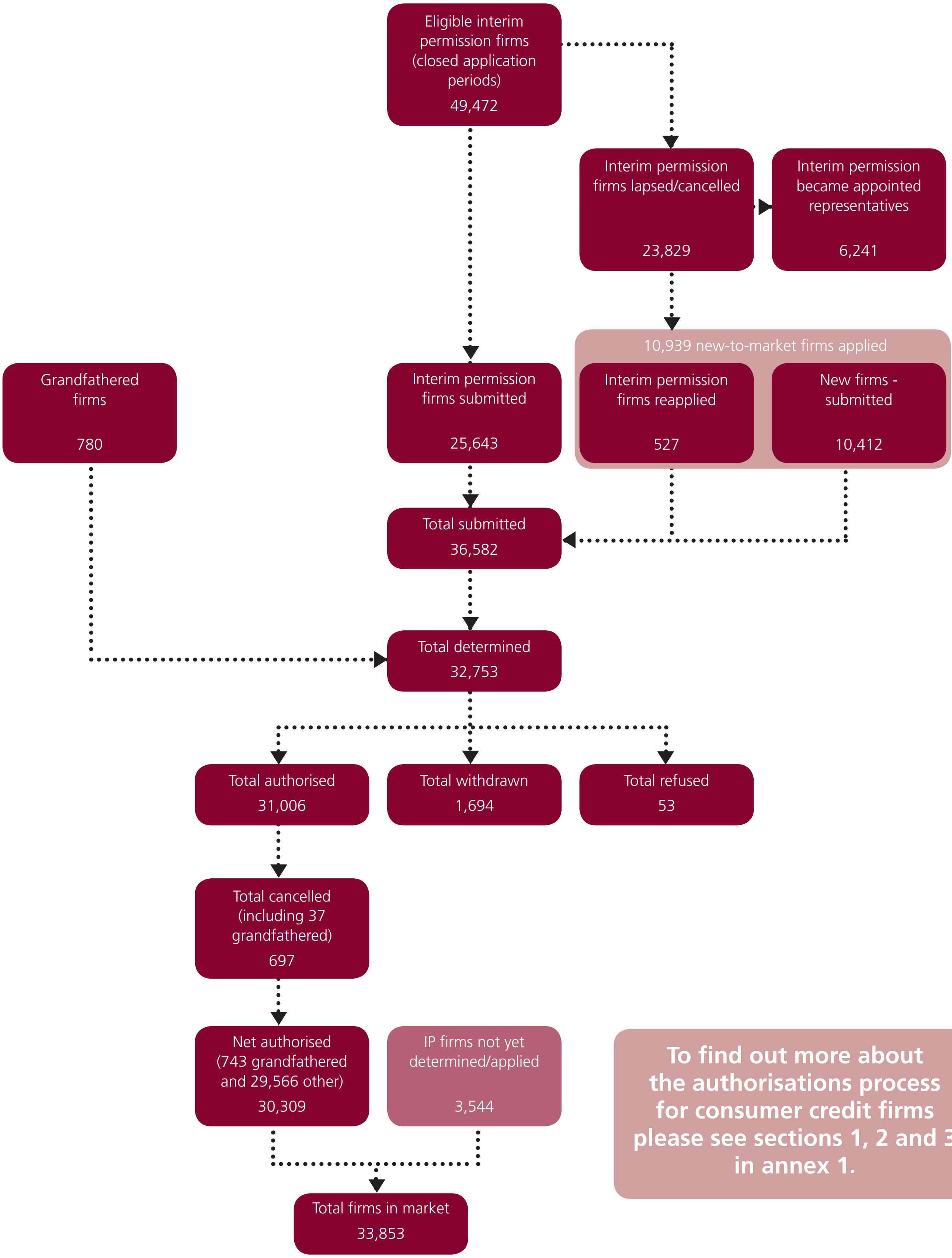
96% of determinations resulted in a firm being authorised (31,006 firms). This included 8,776 new-to-market firms and 780 grandfathered firms.

1,694 firms withdrew their application and a further 53 firms were refused. Permissions for 697 firms have been cancelled since authorisation, including 37 firms that were grandfathered.

On average, for cases determined between January and March 2016 it took nine weeks for the FCA to determine a limited permission case, 11 weeks for a variation of permission and 33 weeks for a full permission case. Since April 2014, **99.7% cases were determined within their statutory deadline (118 cases breached).**

1. These figures have been adjusted for cancellations.

Flowchart showing applications from firms (as at end-March 2016)



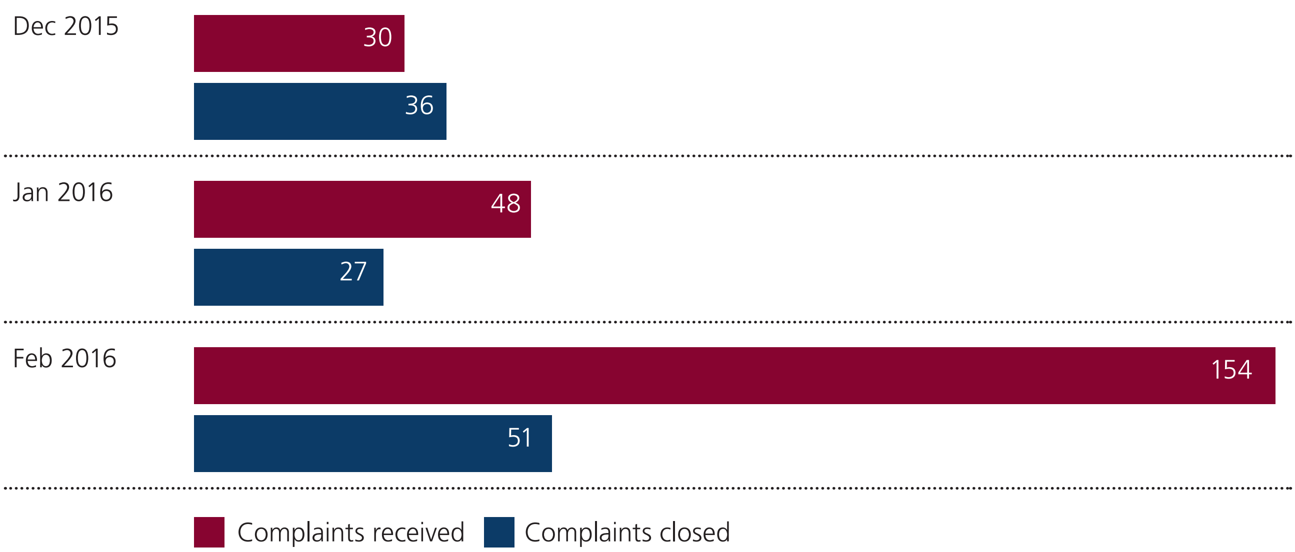
To find out more about the authorisations process for consumer credit firms please see sections 1, 2 and 3 in annex 1.

Complaints against the FCA

The Financial Services Act 2012 requires the FCA, the Prudential Regulation Authority and the Bank of England to have in place arrangements for the investigation of complaints against them. These arrangements are known as the Complaints Scheme.

In the last edition of the Data Bulletin we published the number of complaints made against us. As part of our focus to be a transparent regulator we plan to continue to publish details about the complaints made against us.

Number of complaints against the FCA



Between 1 December 2015 and 29 February 2016 we received 232 complaints against the FCA.

Each complaint received can contain multiple allegations. Since December 2015, 143 allegations have been closed. We did not investigate 34% of these. This can be for a variety of reasons, including that the complaint is a general expression of dis-satisfaction where no misconduct has been alleged, or that the allegations are excluded, referred, deferred or outside of our scope.

94 allegations were investigated by the FCA, 48% were not upheld and 52% were upheld in whole or in part.

In February 2016 there was a large increase in complaints, this was mainly due to receiving a large number about the FCA's role in Lloyds decision to call its Enhanced Capital Notes at par.

For more data on this, please see the underlying data pack published with this Data Bulletin.

Financial promotions

In issue 2 we published details about how we review financial promotions. In this issue we provide an update for 1 October 2015 to 31 March 2016 covering two quarters, where we reviewed 1,977 financial promotions.

During this time 69 cases resulted in one or more promotions being amended or withdrawn through our interaction with firms.

Financial promotions cases resulting in an amend/withdraw outcome by sector

Consumer credit	Retail investments	General insurance	Mortgages	Pensions and retirement income
41%	38%	10%	7%	4%
28	26	7	5	3

Please note this relates to the 69 cases actioned between 1 October 2015 and 31 March 2016.

Update on attestations

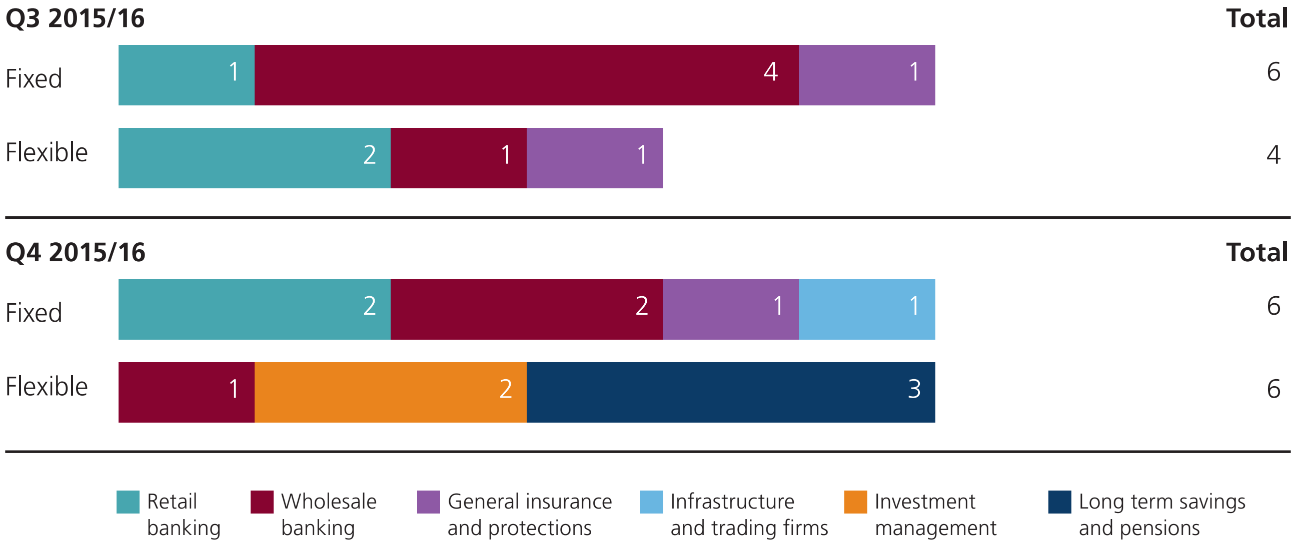
Attestations are a supervisory tool we use to ensure clear accountability and that a firm's senior management are focused on resolving specific issues.

Here we present the number of attestations split by conduct classification and sector.

Attestations are a supervisory tool used to ensure clear accountability and a focus from senior management on putting things right in regulated firms. When we request an attestation, we do so to gain personal commitment from an approved person at a regulated firm that specific action has been taken or will be taken. The aim of an attestation is to ensure there is clear accountability and a focus from senior management on those specific issues where we would like to see change within firms, often without ongoing regulatory involvement.

For more information about how we use attestations please visit our website.

Number of attestations by conduct category and sector[1]

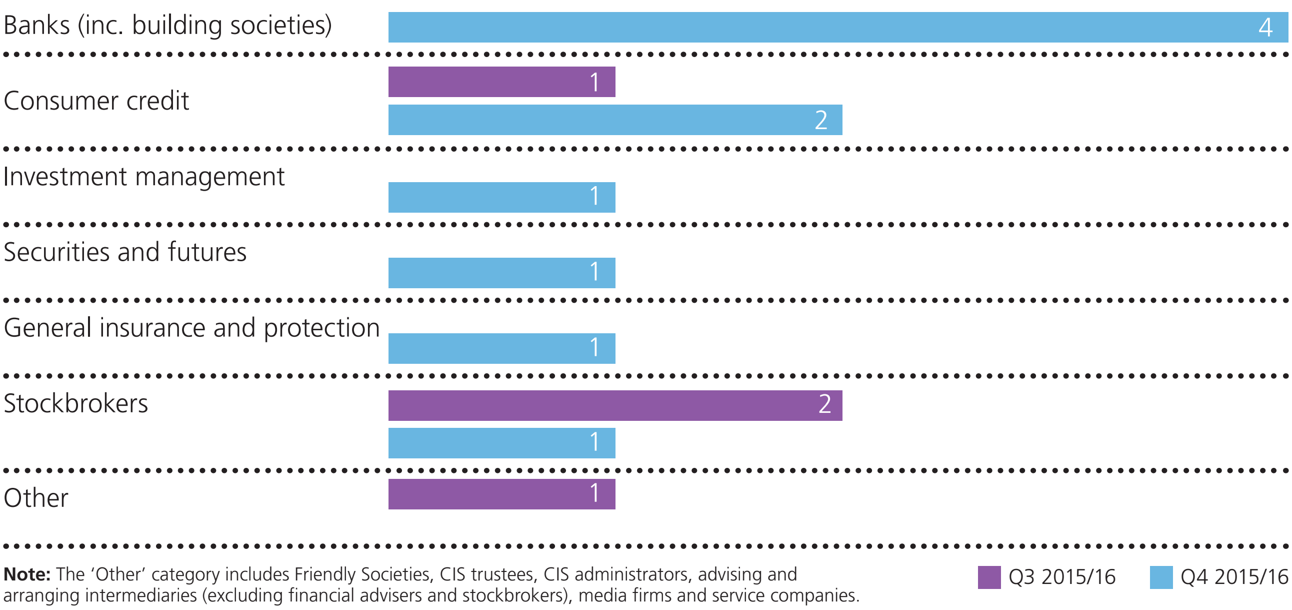


1. Quarters refer to financial year quarters. Q3 2015/16 - 1 October to 31 December 2015. Q4 2015/16 - 1 January to 31 March 2016.

Skilled person reports

A skilled person is a firm, or an individual within a firm, who can provide us with an independent and expert view of an authorised firm's activities in a skilled person report. These reports are a regulatory tool that we can use to gain a view on aspects of an authorised firm's activities that cause us concern and that we believe merit further independent analysis.

Number of skilled person reports by sector



Note: The 'Other' category includes Friendly Societies, CIS trustees, CIS administrators, advising and arranging intermediaries (excluding financial advisers and stockbrokers), media firms and service companies.

Between 1 October 2015 and 31 December 2015, four skilled person reports were commissioned.

One of these were commissioned under our power introduced in the Financial Services Act 2012, which means that we contracted directly with a skilled person.

For the other three skilled person reports, the authorised firm appointed the skilled person to be used.

Between 1 January 2016 and 31 March 2016, 10 skilled person reports were commissioned.

One of these was contracted directly with a skilled person.

For the other nine of the ten skilled person reports, the authorised firm appointed the skilled person to be used.

For more information on skilled person reports please visit our website.

Annex 1
Consumer credit authorisations data*

Section 1: Application periods

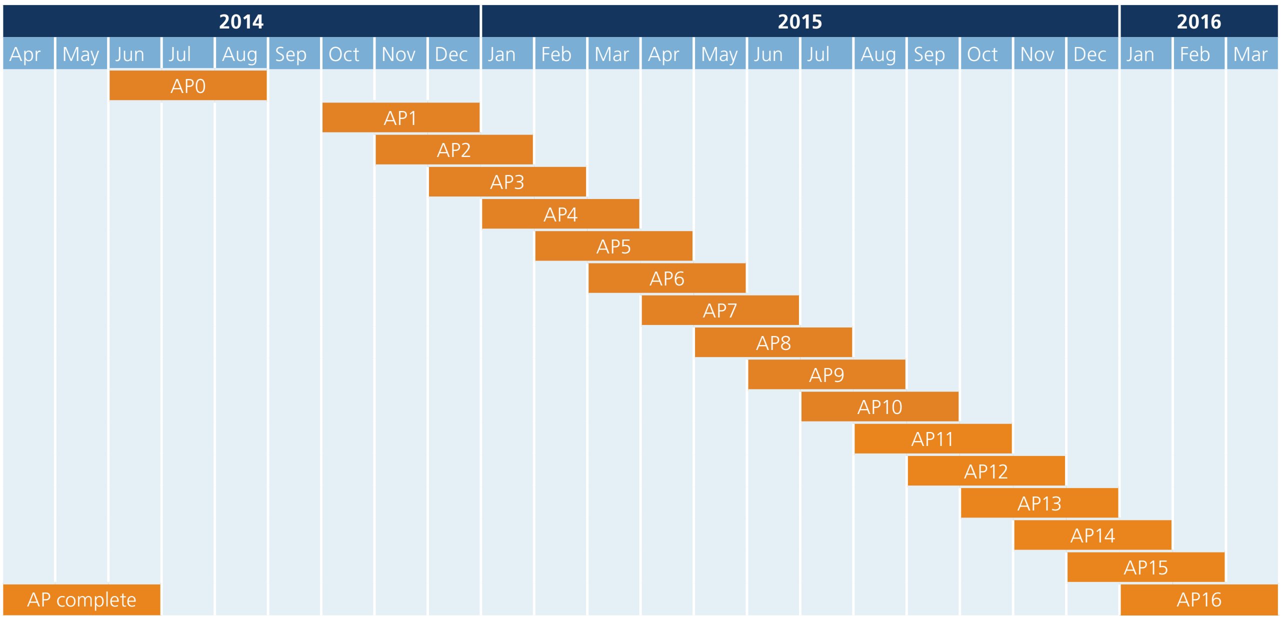
This section provides an overview of the application periods.

In May 2014, we told all firms with an interim permission when their application period would be (see Figure 1 for the schedule). The FCA prioritised sectors that posed the greatest risk to consumers. To ensure the application periods as a whole were well-balanced in terms of numbers, each application period also included a range of firms with lower risk activities.

The application periods included AP0, which firms could use voluntarily if intending to become a principal. We did this to allow more firms to be authorised as a principal sooner, giving a choice of potential principals to firms that wanted to become an appointed representative

For more information on application periods, please see the supplement to the May 2015 Data Bulletin.

Figure 1: Schedule of application periods



As at 31 March 2016, all of the application periods had closed. As of this date, 26 firms with interim permission had not applied for authorisation. These were primarily Housing Associations that due to a clarifying change to legislation were no longer exempt from requiring authorisation. To allow them time to prepare an application, we agreed a deadline of 30 June 2016 to apply for authorisation.

*For more information on the terms used in this section please refer to the Glossary in annex 2.

Figure 2 (page 12) summarises the outcome of the application periods in terms of firms eligible to apply and applications received. We have also provided comparable information for new firms. This figure also includes revisions since the last bulletin to reflect changes, for instance, to correct for any applications that have since been deemed invalid (such as duplicate applications).

Just over half of the firms holding an interim permission ('eligible firms') applied (25,643 out of 49,472). Adding in firms that become an appointed representative (6,241) and those that reapplied at a later date (527), the proportion of eligible firms that applied was around two thirds.

In previous Data Bulletins we have discussed the reasons why firms may have lapsed or cancelled. In Data Bulletin issue 5 (pages 13-14), we provided results of some research we carried out for four applications periods sampling firms that had not completed their application. We now have updated information using information for seven application periods (AP 9-15).

Of firms interviewed who were not intending to apply for authorisation, 64% said they intended to carry on their business without applying directly, as they either considered that authorisaton was not required or they intended to operate in the consumer credit market through another company. This will include firms which no longer needed to be authorised following changes in legislation (for instance, in relation to instalment credit and the Mortgage Credit Directive). Of those firms that cancelled or lapsed their interim permission because of a restructuring, this would have had little impact on the market as a whole as they would have reapplied as a new entrant.

15% of the firms sampled quoted the perceived cost of applying for authorisation and/or ongoing regulation was causing them to cease trading or stop consumer credit activities. Most firms noted that they only conducted limited, or very limited, consumer credit activities, including some with no consumer credit-related business at all. These explanations are in line with the OFT's experience that many firms did not utilise their licences.

The lapsing rate was higher in later application periods. We consider there are several factors that may explain this which include the following:

- Because of the make-up of which sectors were in which application period, we consider the factors above (related to whether authorisation was required and the extent to which the firms carried out consumer credit business) had more of an impact for the firms in the later application periods.
- Some of the firms that applied and were authorised (including those in earlier application periods) have since cancelled (697 firms). However, firms in later application periods that had a change in circumstances over the same period would have cancelled or let their *interim* permission lapse. This would have the impact of showing higher lapsing rates in later periods.

In addition to the 25,643 application period firms that applied, a large number of new entrants had also applied (10,412 after adjusting for the application period firms reapplying and grandfathered firms).

Figure 2: Application period status

	AP0	AP1	AP2	AP3	AP4	AP5	AP6	AP7	AP8	AP9	AP10	AP11	AP12	AP13	AP14	AP15	AP16	All APs	New firms[2]
Eligible firms[1]	482	3,576	2,959	5,505	4,282	3,612	4,404	3,068	2,344	1,578	1,892	3,430	2,018	1,452	2,672	3,459	2,739	**49,472**	n/a
Number of firms that submitted an application	482	2,469	1,768	3,920	2,955	1,561	1,805	934	775	754	904	1,584	943	692	1,214	1,659	1,224	**25,643**	11,719
% of eligible firms	100	69	60	71	69	43	41	30	33	48	48	46	47	48	45	48	45	**52**	n/a
Firms lapsing/cancelling	0	1,107	1,191	1,585	1,327	2,051	2,599	2,134	1,569	824	988	1,846	1,075	760	1,458	1,800	1,515	**23,829**	n/a
Firms that became an AR	0	362	427	351	262	839	1,053	1,083	777	50	93	126	88	153	247	157	173	**6,241**	n/a
Firms reapplying after lapsing/cancelling[2]	0	37	30	69	54	45	45	14	18	32	25	42	33	22	27	34	0	**527**	n/a
Total firms that submitted an application, reapplied or became an appointed representative	482	2,868	2,225	4,340	3,271	2,445	2,903	2,031	1,570	836	1,022	1,752	1,064	867	1,488	1,850	1,397	**32,411**	11,719
% of eligible firms	100	80	75	79	76	68	66	66	67	53	54	51	53	60	56	53	51	**66**	n/a

Notes: 1 includes adjustments for where firms are moved between application periods. 2 The number of new firms includes firms which previously held an OFT licence or interim permission but then reapplied (527 firms) and grandfathered firms (780)

Figure 3: Volumes and determinations – summary

		AP0	AP1	AP2	AP3	AP4	AP5	AP6	AP7	AP8	AP9	AP10	AP11	AP12	AP13	AP14	AP15	AP16	All AP	New	TOTAL
Firms that Applied		482	2,469	1,768	3,920	2,955	1,561	1,805	934	775	754	904	1,584	943	692	1,214	1,659	1,224	**25,643**	11,719	**37,362**
# Firms Determined		478	2,394	1,743	3,865	2,887	1,543	1,693	815	711	674	706	1,094	621	523	841	1,135	402	**22,125**	10,628	**32,753**
Of determined:	**# Authorised**	456	2,303	1,672	3,760	2,811	1,505	1,613	768	686	643	668	1,061	606	521	841	1,134	402	**21,450**	9,556	**31,006**
	# Withdrawn	21	82	69	101	73	38	80	47	25	31	38	33	15	2	0	1	0	**656**	1,038	**1,694**
	# Refused	1	9	2	4	3	0	0	0	0	0	0	0	0	0	0	0	0	**19**	34	**53**
% Firms Determined		99.2	97.0	98.6	98.6	97.7	98.8	93.8	87.3	91.7	89.4	78.1	69.1	65.9	75.6	69.3	68.4	32.8	**86.3**	90.7	**87.1**
Of determined:	**% Authorised**	95.4	96.2	95.9	97.3	97.4	97.5	95.3	94.2	96.5	95.4	94.6	97.0	97.6	99.6	100.0	99.9	100.0	**96.9**	89.9	**95.6**
	% Withdrawn	4.4	3.4	4.0	2.6	2.5	2.5	4.7	5.8	3.5	4.6	5.4	3.0	2.4	0.4	0.0	0.1	0.0	**3.0**	9.8	**4.3**
	% Refused	0.2	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**	0.3	**0.1**

Note: The number of new firms includes firms which previously held an OFT licence or interim permission but then reapplied (527 firms) and grandfathered firms (780).

Section 2:
Volumes and determinations

This section provides data on the volumes of firms applying and the progress we had made in determining applications by 31 March 2016. An application can be approved or refused by the FCA, or withdrawn by the firm. This data excludes appointed representatives.

Figure 3 (page 12) shows the volumes of received applications and determinations made. The data pack for this bulletin shows the breakdown of these figures by application type.

Figure 4 shows the regulated activities that firms carry out.

As at 31 March 2016, 36,582 firms had applied for authorisation (this included applications that were in progress at the OFT as at 31 March 2014) and 780 firms had been grandfathered.

We had determined cases from 87% of firms that had submitted an application. 96% of these (31,006 firms) had been authorised. This includes firms that changed the way they proposed to operate (including their business model and regulated activities) as a result of conversations with the FCA.

1,694 firms withdrew their application and 53 firms were refused. The permission for a further 697 firms that were authorised have since been cancelled (25 firms that applied for full permission, 578 for limited permission and 94 firms that varied their permission. These figures include 37 grandfathered firms).

Adjusting for the cancellations, there were 33,853 consumer credit firms as at 31 March 2016 (excluding appointed representatives), of which:

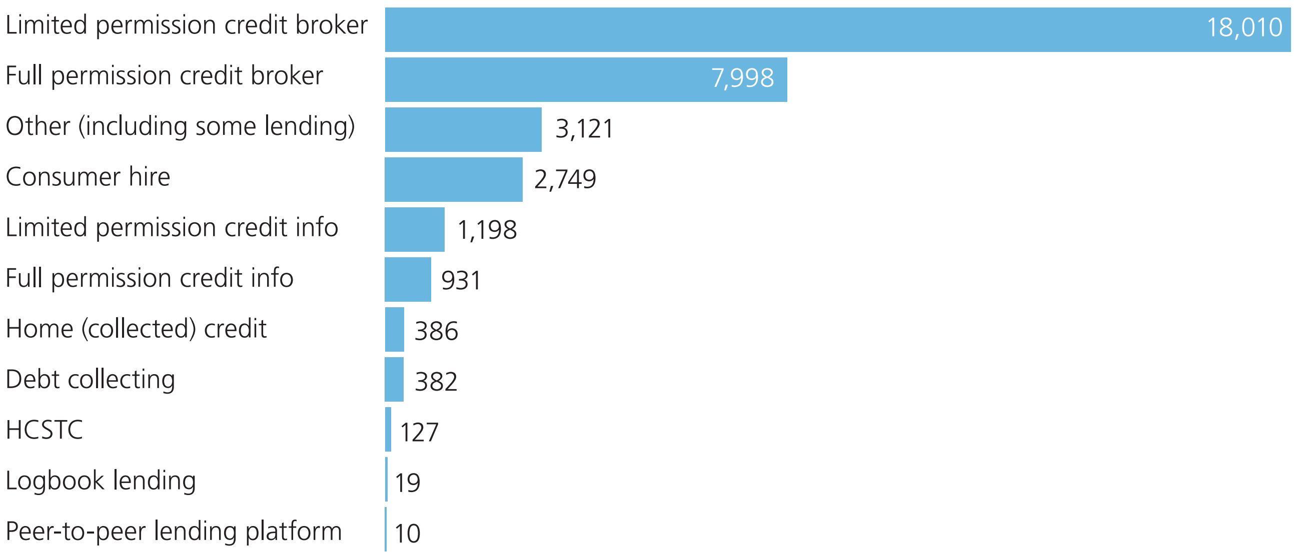
- 30,309 were authorised firms (743 grandfathered and 29,566 that had applied and been authorised)
- 3,544 had an interim permission (including the 26 firms referred to on page 10)

8,463 of these firms were new-to-market (adjusting for cancellations). A further 1,091 applications from new-to-market firms were in the process of being determined.

Figure 4 shows the business categories of authorised firms (excluding interim permission firms) where these can be defined by combinations of regulated activities. Many firms will operate in more than one business category and therefore may be counted more than once across the figure below.

The majority of firms authorised have been granted permission to carry out credit broking. The proportion of firms in the other categories has increased as we determine applications.

Figure 4: Authorised firms' business categories



Note: 'Other' comprises the business categories listed in the annex under regulated activities.

Section 3: Average processing time

Our decision-making time frame is set out in the Financial Services and Markets Act 2000, and reflects the maximum time we may take to approve or refuse an application. For full, limited and VoP (variation of permission) cases we must determine an application within six months of it being complete or 12 months from receiving it (whichever is earlier).

We aim to make decisions efficiently but this depends on:

- the quality of the application
- its complexity and
- the time taken by the firm to get its application to complete status and/or to respond to any requests for additional information.

Figure 5 shows information on the average elapsed time it has taken for us to make a decision (from the date we received an application) comparing the periods covered by each of the Data Bulletins. The average time taken in different application periods is not directly comparable as the mix of cases varies across these periods. Note that firms with interim permission are able to continue trading while we consider their application.

As anticipated, it takes longer to process a full permission application than other types of case. Complex cases and business models that pose higher risks to consumers will inevitably take longer to assess.

We expected to see the average processing time rise as application volumes increased and because we would still be determining more complex applications from earlier application periods.

By comparison, for authorising other types of firms (those not primarily carrying out consumer credit activities), in the last period it took around 26 weeks to process an authorisation case and 13 weeks for a VoP.

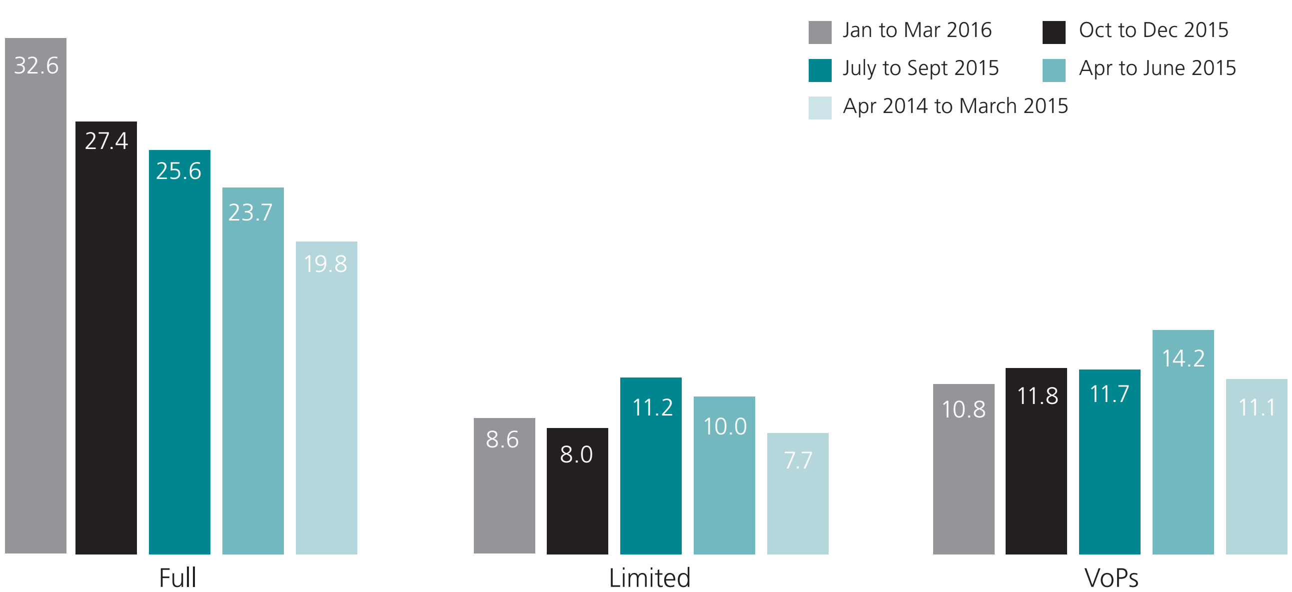
In total, 99.7% of cases have been determined within the statutory deadlines since April 2014 (118 cases breached).

The main reason for these breaches related to processing delays by case teams due to the high volume of cases and also the time it takes to process and reach a decision on the cases that we are intending to refuse. Difficulties in obtaining information from firms was a significant factor in the remaining cases.

Because of the volume of complex cases we are still considering, we expect there will be further breaches. However, since we are processing high volumes of cases within the statutory deadlines, we do not expect the overall percentage of cases that meet deadlines to fall significantly (there was a 0.1 percentage point decrease compared to the percentage at ethe end of December).

We closely monitor our cases to mitigate the risk of avoidable breaches and to prioritise the relevant cases.

Figure 5: Average processing time (weeks) by case



Annex 2: Glossary of terms

Application period (AP)	The three-month window that each firm with an interim permission has been allocated during which it needs to submit its application. In some cases the FCA may agree to move a firm into a different application period.
Appointed representatives (ARs)	A firm or individual that carries out regulated activities under the supervision of a principal and as a result is exempt from requiring authorisation for those activities. Normally a firm is either an appointed representative or an authorised firm and cannot be both, but a firm can be a limited permission credit firm and an AR (in which case it is excluded from needing authorisation for the activities it is appointed to carry out as an AR rather than being an exempt person).
Approved	The FCA has decided to grant authorisation.
Authorised	An authorised firm has a permission to carry out regulated activities.
Cancelled	This is where a firm has applied to cancel its Part 4A Permission or its interim permission and the FCA has approved that application. It should be the case that the firm no longer carries out any regulated consumer credit activity or the firm becomes an appointed representative.
Complete	An application is deemed complete if there are no material gaps. Where the FCA does not consider an application complete, it will inform the applicant of this and the reasons why.
Full permission	A firm that has permission to undertake any regulated activities which are not limited permission activities.
Grandfathered firms	These are certain not for profit firms that were given a Part 4A permission without having to apply as they were covered by a group licence under the Consumer Credit Act 1974 to carry on certain activities. (The term is used generally by the FCA to refer to firms that were given permission without being authorised – such as those firms that had permission with a predecessor organisation when the Financial Services Authotity (FSA), itself a pedecessor to the FCA, was formed on 1 December 2001.)
Interim permission (IP)	Firms that held an OFT licence were invited to register with the FCA for an interim permission which allowed them to continue carrying out consumer credit activities. These firms were allocated an application period to apply for (full) authorisation. A small number of local authorities also obtained interim permission (having previously being exempt under the Consumer Credit Act).
Lapsed	In this publication, this refers to an interim permission firm that does not submit an application within its application period. Like firms that cancel their interim permission, they are unable to carry out regulated activities unless they become registered as an appointed representative.
Limited permission	A firm that has a permission that is restricted to certain consumer credit activities which are defined by legislation. In addition, a local authority will be a limited permission credit firm if it requires authorisation.
New firms	New-to-market and grandfathered firms.

New-to-market	Firms that have applied for consumer credit activities that were not registered as an interim permission firm. This includes firms that lapsed/cancelled and applied after their application period closed, firms that may have re-applied after withdrawing and firms whose applications were in progress at the OFT as at 31 March 2014.
Office of Fair Trading	The regulator of consumer credit until it closed on 31 March 2014.
Principal	A firm that is appointing one or more appointed representatives or agents to carry out regulated activities for which the principal firm takes responsibility.
Refused	An application where the FCA has issued a decision notice stating that the application has not been approved. But te application is not fully determined unless a final notice is issued, which occurs after a tribunal hearing if the firm refers the case or by default if the case is not referred within a specific period following the decision notice.
Regulated activities	These are certain activities laid out in legislation that a firm can carry out if authorised. We use a combination of such activities to define certain business categories:
Full permission credit broker	A firm with full permission with the 'credit broking' regulated activity.
Limited permission credit broker	A firm with limited permission with the 'credit broking' regulated activity.
Full permission credit info	A firm with full permission with the 'providing credit information services' regulated activity.
Limited permissions credit info	A firm with limited permission with the 'providing credit information services' regulated activity.
Debt collecting	A firm with the 'debt collecting' regulated activity.
High-cost short-term credit (HCSTC)	A firm with either the 'entering into RCA as lender (high-cost short-term)' and/or the 'Exercising R&D under an RCA (high-cost short-term)' regulated activity.
Logbook Lending	A firm with either the 'Entering into an RCA as lender (bill of sale)' and/or the 'exercising R&D under an RCA (bill of sale)' regulated activity.
Home credit	A firm with either the 'entering into an RCA as lender (home credit)' or the 'exercising lenders R&D under an RCA (home credit)' regulated activity (often referred to as 'home collected credit').
Consumer hire	A firm with either the 'entering into consumer hire agreements as owner' or the 'exercising owners R&D under a consumer hire agreement' regulated activity (in most cases, both).
Peer-to-peer lending platform	A firm with the 'operating electronic system in relation to lending' regulated activity.
Other categories	Include **hire purchase, pawnbroking, running account credit** and **other unsecured lending,** which are collectively defined as those with either the 'entering into an RCA as lender (other)' and/or the 'exercising lenders R&D under an RCA (other)' regulated activities.
RCA	Regulated credit agreement – a credit agreement which is not exempt under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
Variation of Permission (VoPs)	This is where an existing regulated firm (with a Part 4A permission) wants to add or remove categories of regulated activity, customer types or specified investments (the latter two do not apply to regulated credit activities), or vary or remove any limitations.
Withdrawn	An application that a firm has decided it no longer wishes to pursue (and has stated so in writing to the FCA).

Next steps

In future issues we want to make sure we give you the information that you would find most useful, so if you have any comments or suggestions for future content please contact us at:

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