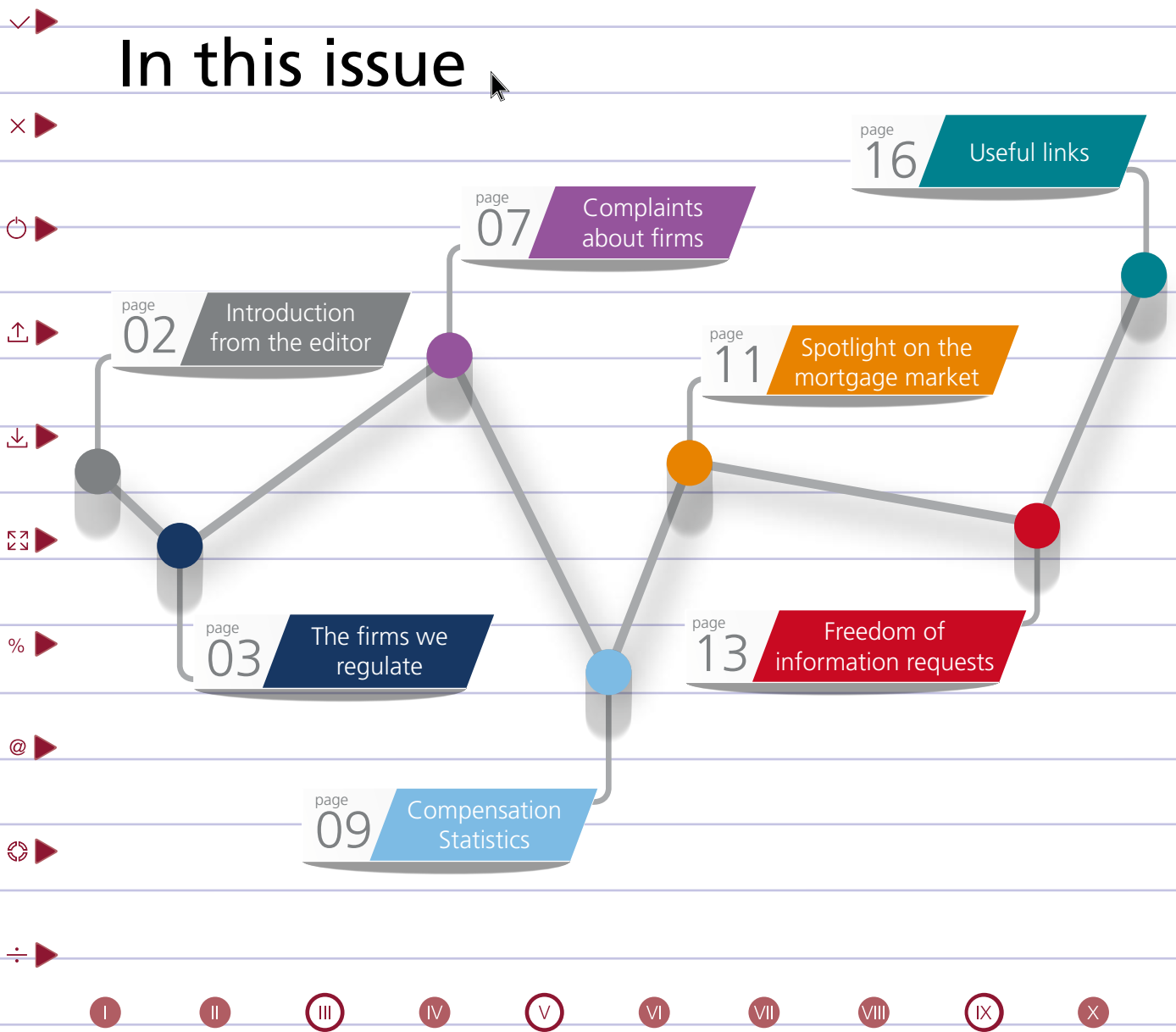


Data Bulletin

October 2014

Issue 1

In this issue



Introduction from the editor



Joanna Hill
Head of Data & Analysis

Welcome to the first edition of the FCA Data Bulletin. As the UK's conduct regulator in the financial services industry we are committed to communicating transparently with consumers and firms about what we do and how we work. In keeping with this, we want to show you how we use data to act in the interests of consumers and promote market integrity.

Here we present some of the information we collect from firms¹ and what it means, as well as looking at what questions you have been asking us. It is not just aimed at people that work in the industry, but everyone who uses bank accounts, credit cards and other financial services products.

From now on, the bulletin will be the primary place where we publish datasets on a regular basis. We will vary the data highlighted quarter by quarter so if there is anything in particular you would like to see, please let us know. We can make sure these updates are as informative and useful for you as possible.

Email fcadataandanalysis@fca.org.uk

Kind regards,

Jo Hill
Head of Data & Analysis

Why do we collect data?

To fulfil our objectives as a regulator it is essential that we ask probing questions of the firms we regulate and look closely at the markets they operate in to see how they are working. Collecting and examining data helps us to answer these questions and look at the bigger picture for consumers to determine whether they are getting a fair deal.

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¹ You can find the underlying data for this bulletin at: <http://www.fca.org.uk/your-fca/documents/data-bulletin/underlying-data-october-2014>, should you wish to download and analyse this data yourself.

The firms we regulate

The number of firms authorised to provide financial services in the UK had been declining since 2006, before the financial crisis, but this is now starting to change.

Total number of UK-authorized firms*

Since we took over the regulation of consumer credit firms on 1 April 2014, there has been an expected but sharp increase in the number of UK-authorized firms (around 1,500 firms in four months) taking the total number to almost 20,000. This number will keep rising until March 2016, by when we expect to have completed the authorisations process for the 50,000 consumer credit firms with interim permissions.

Even without the introduction of consumer credit firms, from 1 April 2014 to 31 July 2014 the number of UK-authorized firms still rose by 1% from 18,251 to 18,356, and the number of EEA-authorized (European Economic Area) firms doing business in the UK increased by 8% from 7,137 to 7,680.

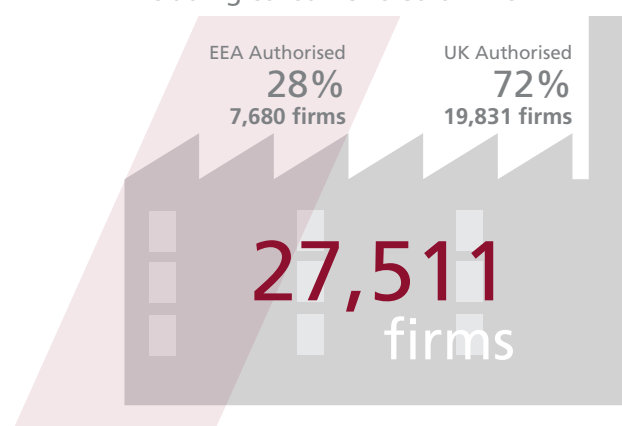
UK-authorized firms are either authorised by the Prudential Regulation Authority (PRA) or by us.

FCA-authorized firms are authorised and regulated by us from both a prudential and conduct perspective.

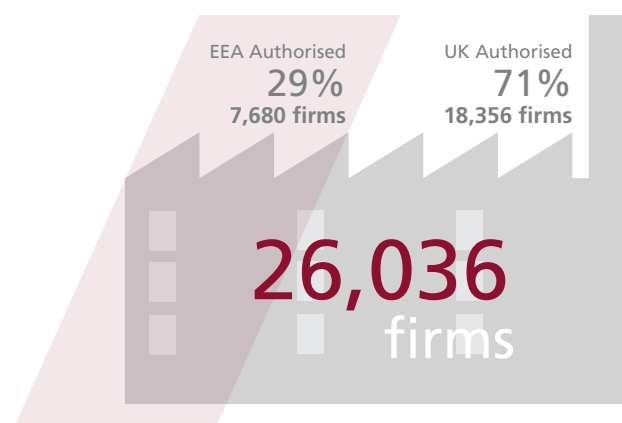
PRA-authorized firms are generally systemically important; bank, building societies, credit unions and major investment firms. We regulate their conduct.

EEA-authorized firms are based outside the UK and if they want to do business here they need to be authorised through European passporting rules. These firms are authorised by the financial services regulator in their home country, not by us, but we regulate their conduct.

1. Total number of authorised firms including consumer credit firms



2. Total number of authorised firms excluding consumer credit firms



Data shown as at 31 July 2014

* Please note that 'firm' in this section refers to legal entity.

Types of UK-authorized firms

We categorise the firms we regulate into ten groups based on their primary activity, although some firms will operate in more than one area. Banks and building societies account for around 1% of the UK-authorized firms that we regulate, despite them being responsible for the majority of financial transactions with consumers.

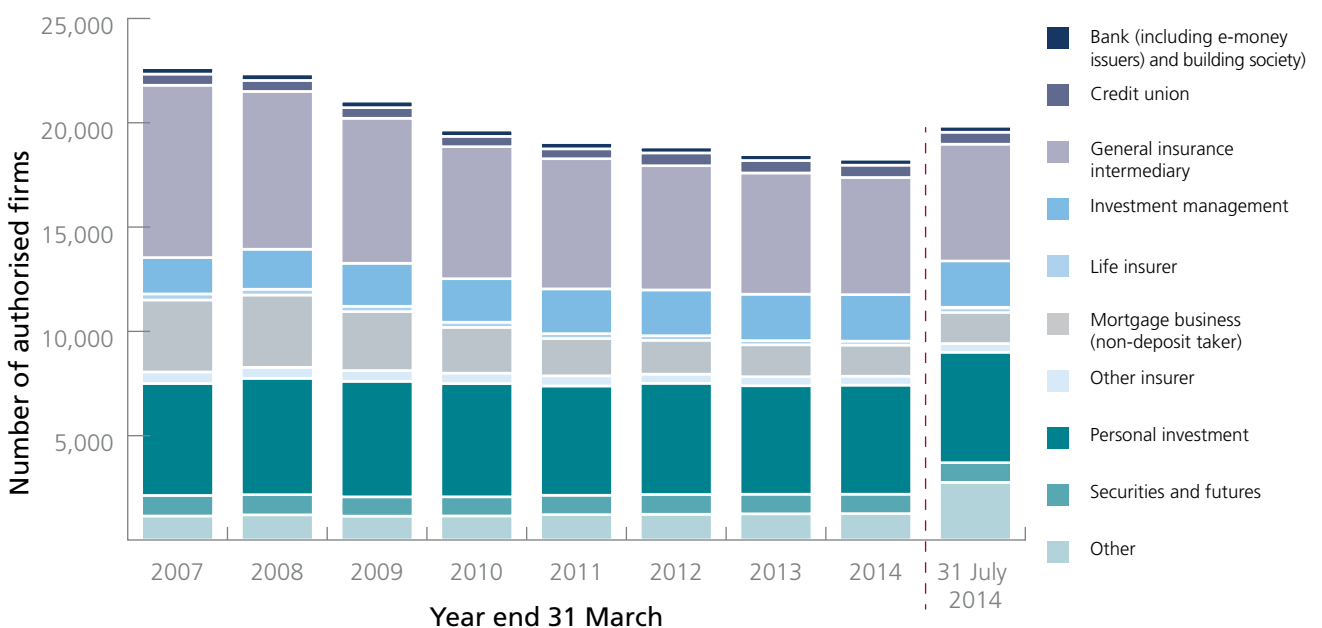
General insurance intermediaries and personal investment firms are the largest categories in terms of the number of firms, although they are typically small in size.

- Since 2006/7 the number of UK-authorized firms has fallen in seven of the ten groups.
- The number of general insurance intermediaries has decreased by 2,660 (32%). The number of mortgage business firms operating in the UK has decreased by 1,966 (57%).
- However, the number of investment management firms has increased by 541 (31%) and the number of credit unions has increased by 38 (7%).



Data shown as at 31 July 2014

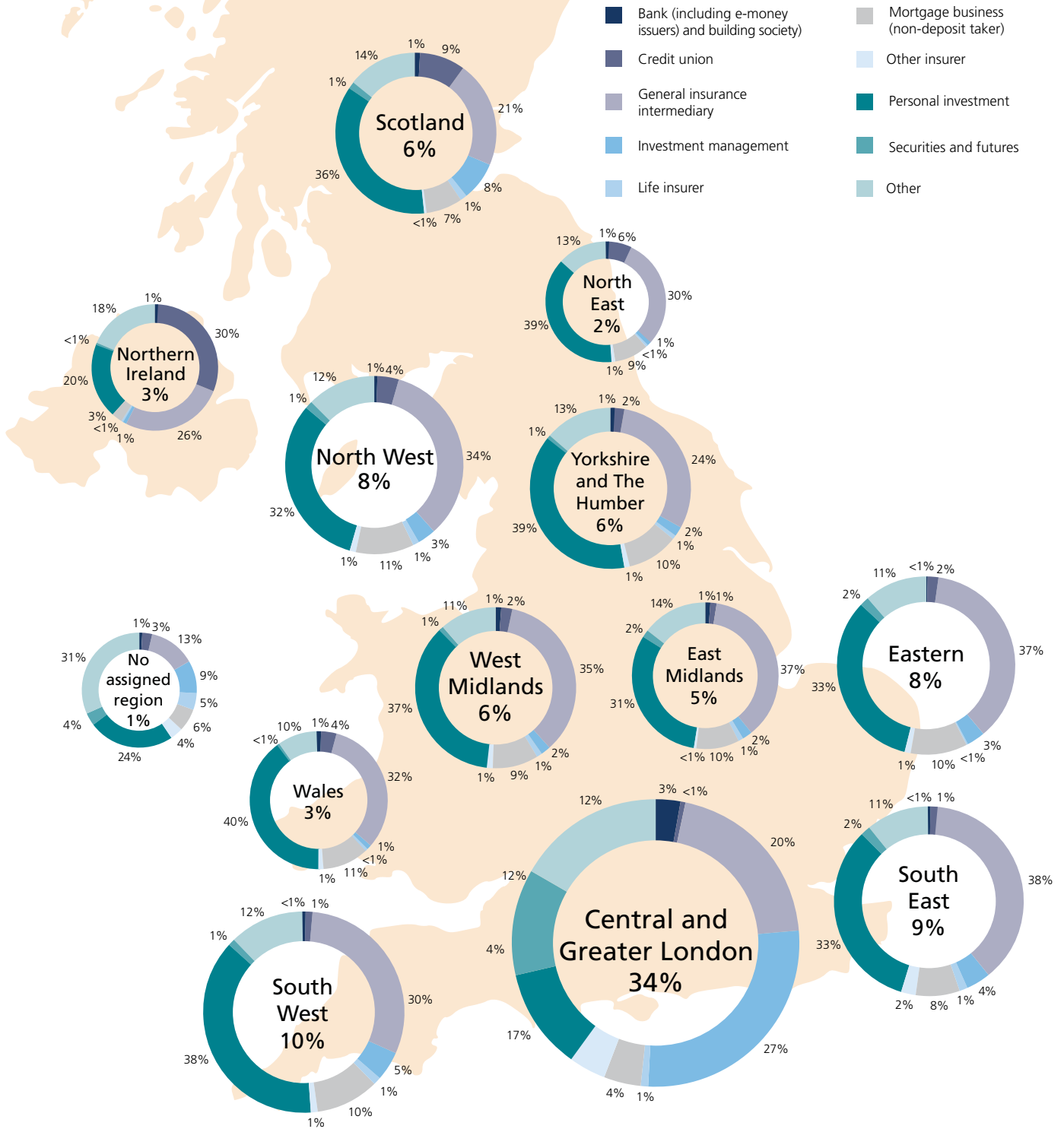
3. UK-Authorised firms by category since 2007



² Includes consumer credit firms

4. UK-Authorised firms by area

This map shows the proportion of different financial services firms in different regions across the UK (based on their principal place of business).



Central and Greater London is home to more than a third of all UK-authorized financial services firms, and has a different breakdown from other regions. For example, it has a greater proportion of investment management firms than anywhere else. Most other regions tend to have a greater proportion of personal investment firms and general insurance intermediaries.

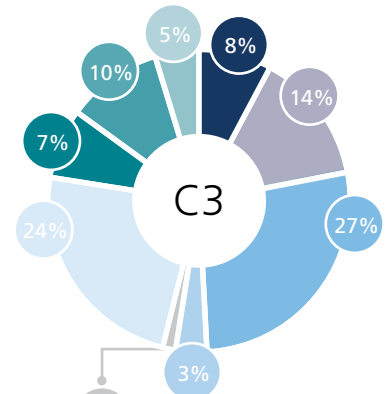
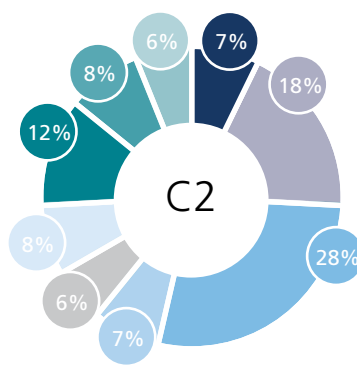
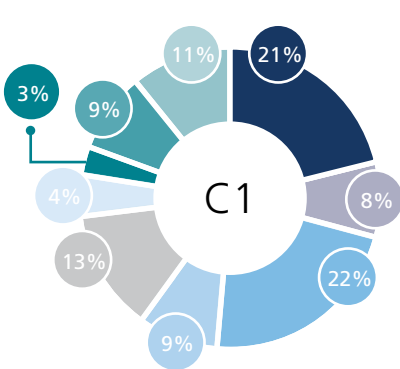
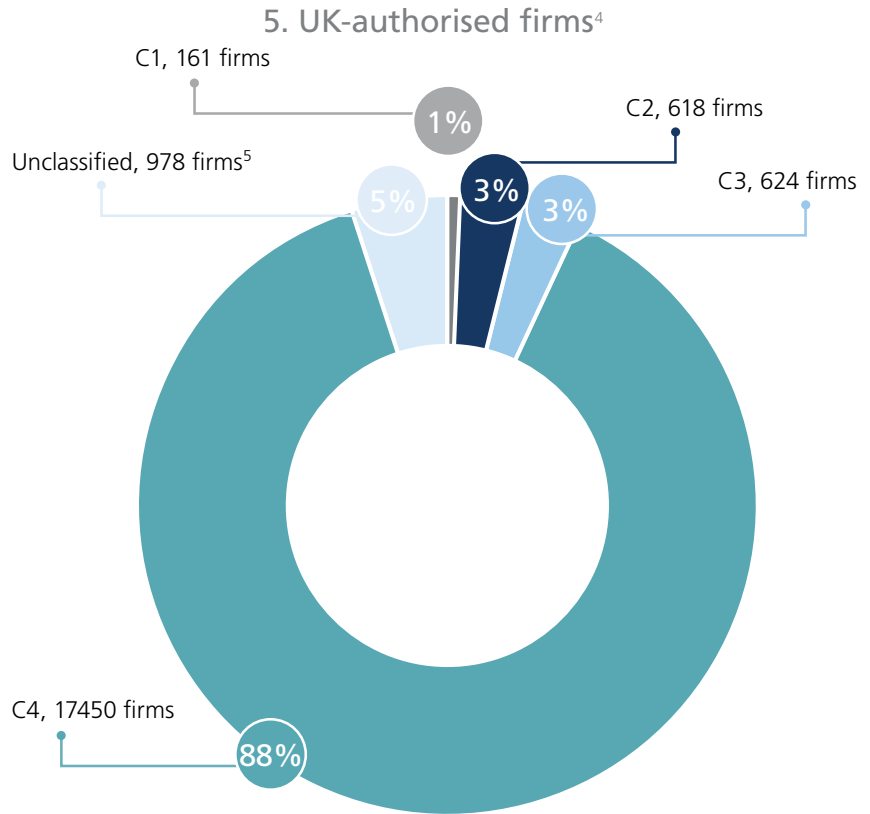
Data shown as at 31 July 2014

Number of UK-authorized firms by classification

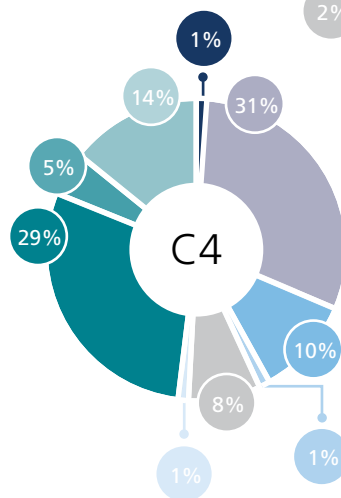
We have a proportionate approach towards how we regulate firms, starting by classifying them according to how much risk they pose to consumers and the financial markets.

We have dedicated supervisors for the firms that we consider pose a bigger risk to consumers (C1 and C2 firms). Whereas firms that we consider to pose a lower risk to consumers (C3 and C4 firms) are supervised by a team of sector specialists and do not have a dedicated supervisor.

For more information on our classification model see [our website](#).³



- Bank (including e-money issuers) and Building Society
- General insurance intermediary
- Investment management
- Life insurer
- Mortgage business (non-deposit taker)
- Other insurer
- Personal investment
- Securities and futures
- Other



Data shown as at 31 July 2014

³ <http://www.fca.org.uk/firms/being-regulated/fca-firm-classification>

⁴ Please note that 'firm' in this instance refers to legal entity. In practice many financial services firms in the UK are formed of groups of legal entities, please see <http://www.fca.org.uk/your-fca/documents/data-bulletin/addendum-1-data-bulletin>.

⁵ Unclassified – some firms have yet to be classified into a conduct category

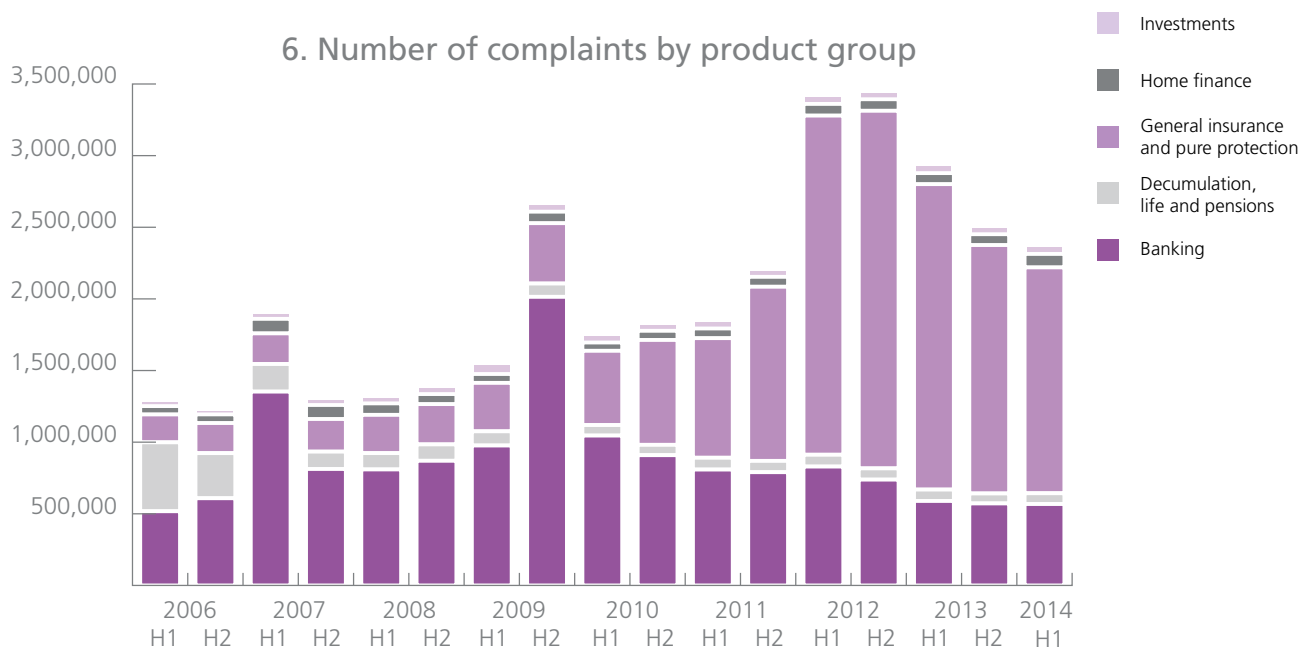
Complaints about firms

The number of complaints that firms receive can change year-by-year and sector-by-sector. We collect data that shows how it changes, and what products or services people have complained about the most.

We use information that firms send to us about the complaints they receive to assess how well they are treating their customers. We look at how many consumers complain about the products and services sold by firms, and how firms treat consumers when they complain. We publish this data every six months; individual firms⁶ also publish data on their own websites.

You can find more detailed data about complaints⁷, such as how quickly firms deal with them, on our website.

The total number of complaints received by firms decreased by 5% to 2,358,732 in the first half (H1) of 2014 compared with the second half (H2) of 2013 and have decreased 31% since the peak in 2012 .



Top 5 most complained about products/services

Payment protection insurance (PPI) remains the most complained about product, with 1,236,899 complaints in 2014 H1, which accounted for 52% of all complaints and 78% of complaints about general insurance and

pure protection products. Complaints about PPI have decreased by 11% since 2013 H2. Within the complaints in the Banking product group, credit card complaints also fell significantly, while complaints about current accounts and savings (including Cash ISA) and other banking products have increased.

⁶ Firms with 500 or more complaints in a half-year period are required to publish complaints data, some firms with less than 500 publish anyway to increase transparency with consumers.

⁷ <http://www.fca.org.uk/consumers/complaints-and-compensation/complaints-data>

top five 5

most
complained
about products/
services



Payment protection insurance

1.2m complaints ▼ 11%*

Current accounts

320,000 complaints ▲ 3%*



#2



Other general insurance

319,000 complaints ▼ 1%*

Credit cards

128,000 complaints ▼ 10%*



#4



Savings (including Cash ISA) and other banking

90,000 complaints ▲ 4%*

* Comparing the number of complaints in the first half of 2014 against the second half of 2013.

Compensation statistics

The amount of redress paid to consumers who have been mis-sold financial products has steadily increased over the last three years.

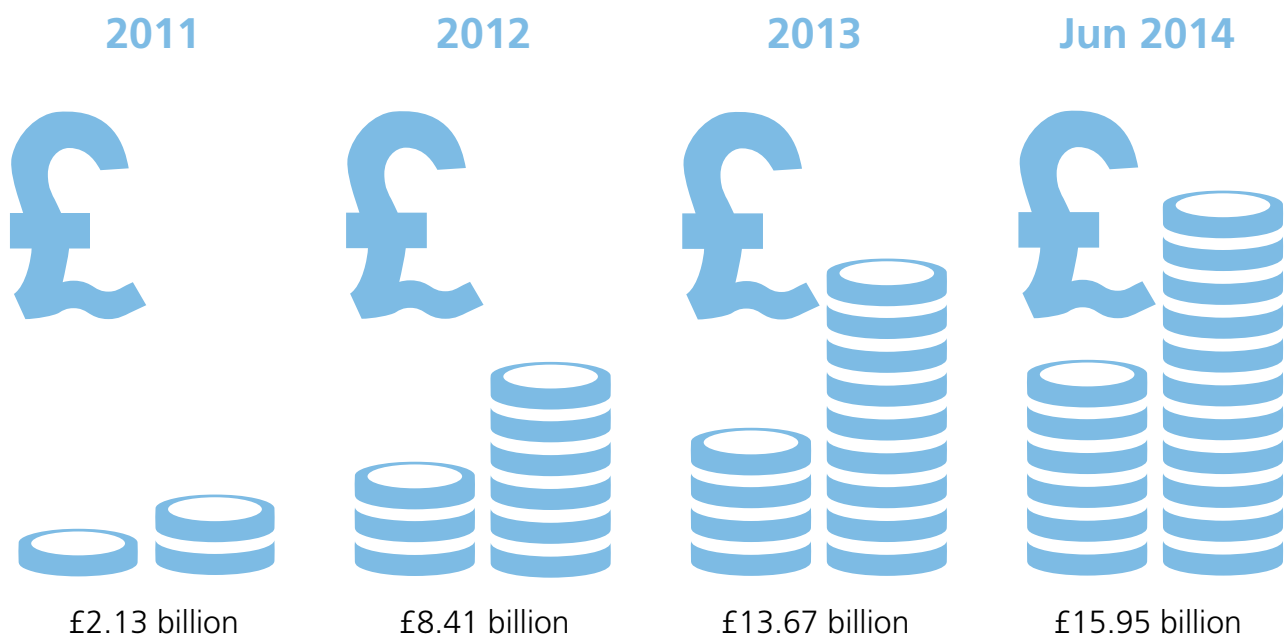
When consumers make complaints against firms we expect those complaints to be handled properly and resolved fairly and effectively. However, there have been instances where we have identified significant failings in the way certain financial products have been sold, which has led us to work with firms to ensure complaints are handled appropriately and consumers are appropriately redressed. This includes failings in the sales of payment protection insurance (PPI) and interest rate hedging products (IRHPs).

We require firms that are paying redress for PPI and IRHP to send us certain information, which we use to monitor

their progress in reviewing cases and compensating affected consumers. We then publish this information every month on our website.

The information about PPI shows that there has been significant progress made since 2011 in compensating consumers who have been mis-sold, with £16 billion paid out in three and a half years. Recently we also announced that banks, credit card providers and personal loan companies have agreed to reassess more than 2.5 million complaints from 2012 and 2013, which they may have either unfairly rejected or paid too little redress.

7. Amount of redress paid on PPI (cumulative)

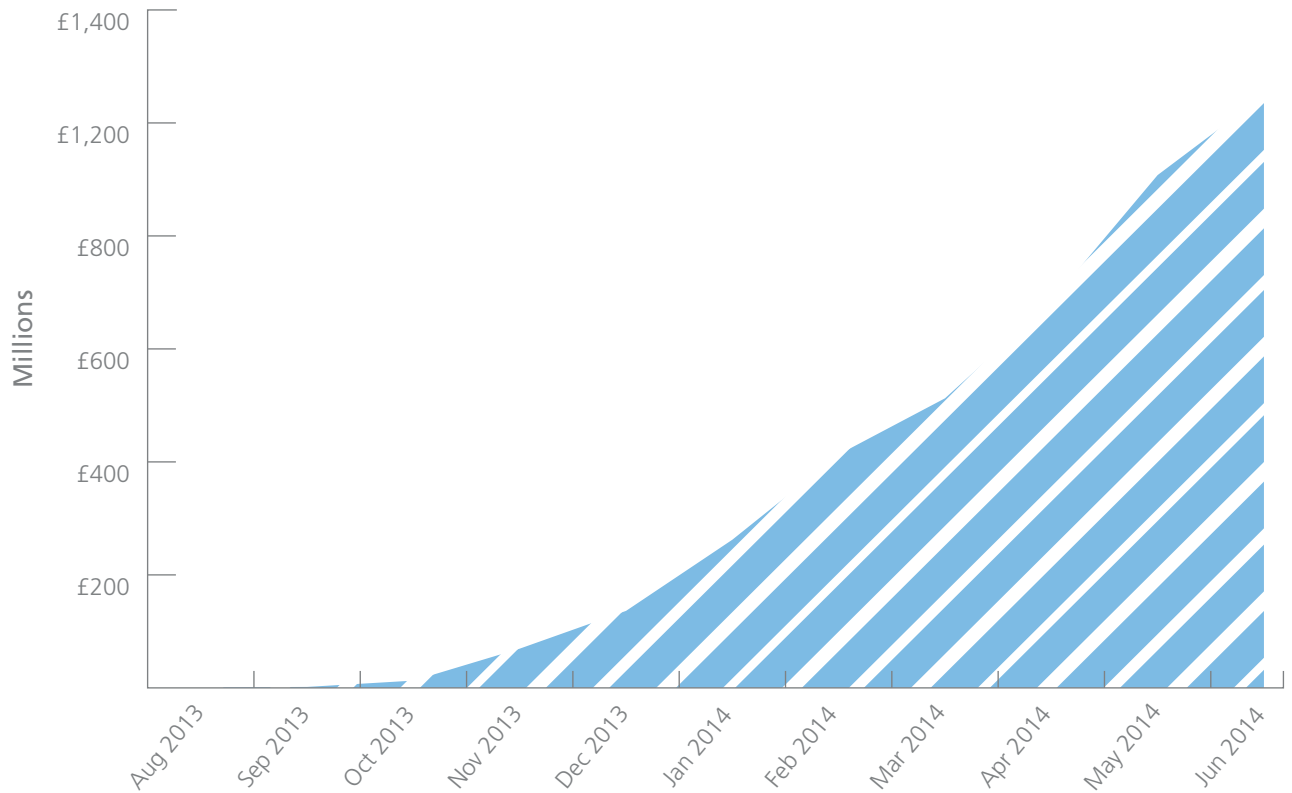


Data shown as at 29 August 2014

In 2012 we identified failings in the way that some banks sold IRHPs. The nine banks involved agreed to review their sales of IRHPs made to unsophisticated customers since 2001. The full review started in May 2013 and the amount of redress determined has since reached £1.2 billion.

All banks have now completed their sales reviews of customers who joined the review before March 2014 and have delivered redress letters to all but a handful of these customers. Since March 2014, around 1,200 customers have chosen to join the review. Around 200 of these cases have already been determined and the remainder will be dealt with over the next few months.

8. Amount of redress determined on IRHP (cumulative)



Data shown as at 29 August 2014

Spotlight on the mortgage market

Here are some key statistics from the mortgage market, taken from our latest product sales data (PSD) publication, such as how many regulated mortgages have been sold in the UK over the last few years, and how the breakdown in product types and interest rates has changed in that time.

	Percentage points (pp) change		
	2014 Q1	2013 Q4	2013 Q1
Advised sales	80%	+2pp	+4pp
Loan value £250,000+	13%	+0pp	+3pp
Loan to value 90%+	5%	+2pp	+3pp
Loan-to-income 3.5+ (single income)	41%	+0pp	+5pp
Loan to income 3.5+ (joint income)	29%	+1pp	+7pp

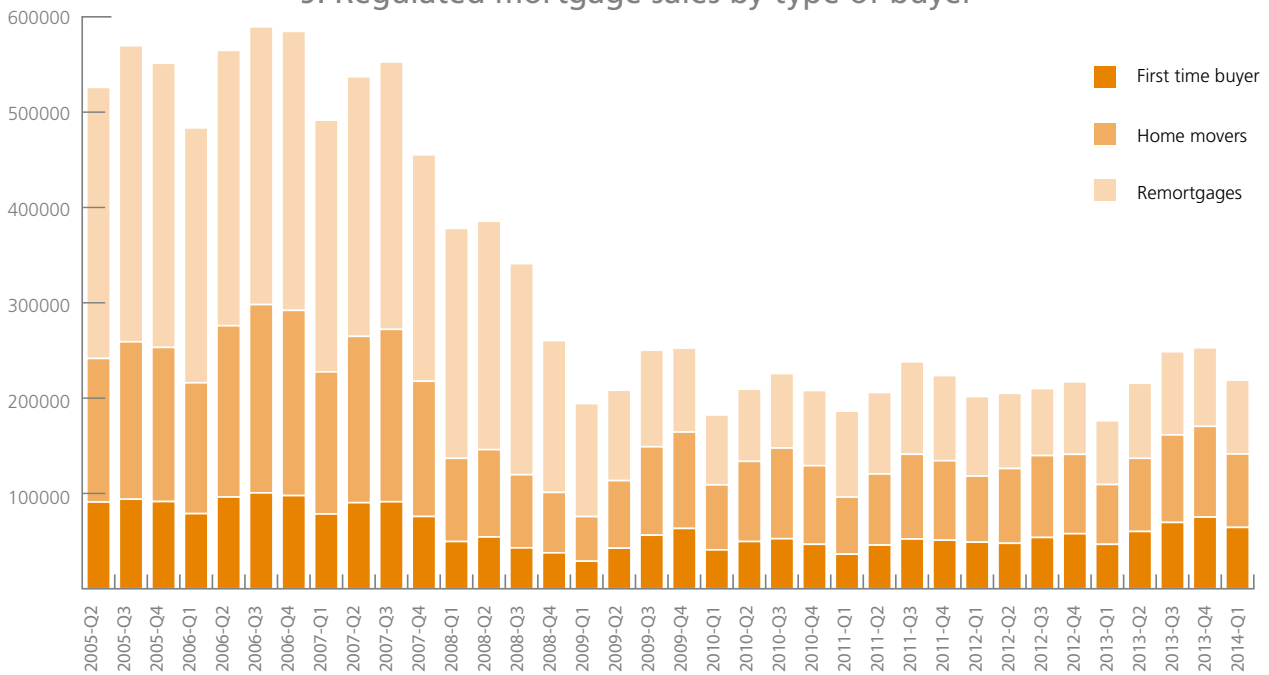
Data shown as at 7 October 2014

The latest mortgage market data that we have collected shows increases in certain trends over the last year, such as:

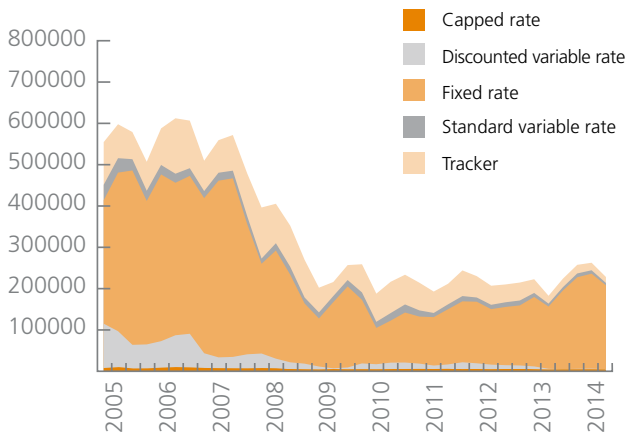
- The proportion of mortgages that are sold on an advised basis has increased by 4 percentage points.
- The proportion of sales with a loan value of £250,000 or more has increased by 3 percentage points.
- The proportion of mortgages with a loan-to-value ratio of 90% or more has increased by 3 percentage points.
- The proportion of loans to individuals with a loan-to-income ratio of 3.5 or more has also increased.

We look in more detail at yearly trends, as quarterly trends may only reflect changes in how mortgages are purchased throughout the year, rather than underlying changes in the nature of the mortgage market.

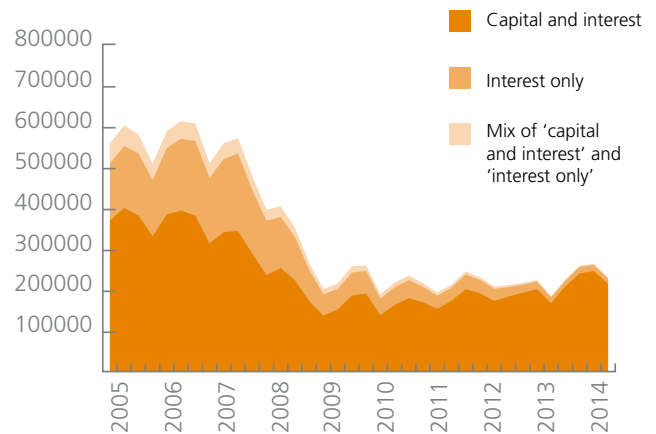
9. Regulated mortgage sales by type of buyer



10. Regulated mortgage sales by interest rate type



11. Regulated mortgage sales by repayment type



Data shown as at 7 October 2014

The number of fixed-rate mortgage sales continued to rise, increasing by 40% between 2012 and 2013 compared to a 17% increase in regulated mortgages overall. Fixed-rate mortgages accounted for 88% of all regulated mortgage sales in 2014 Q1.

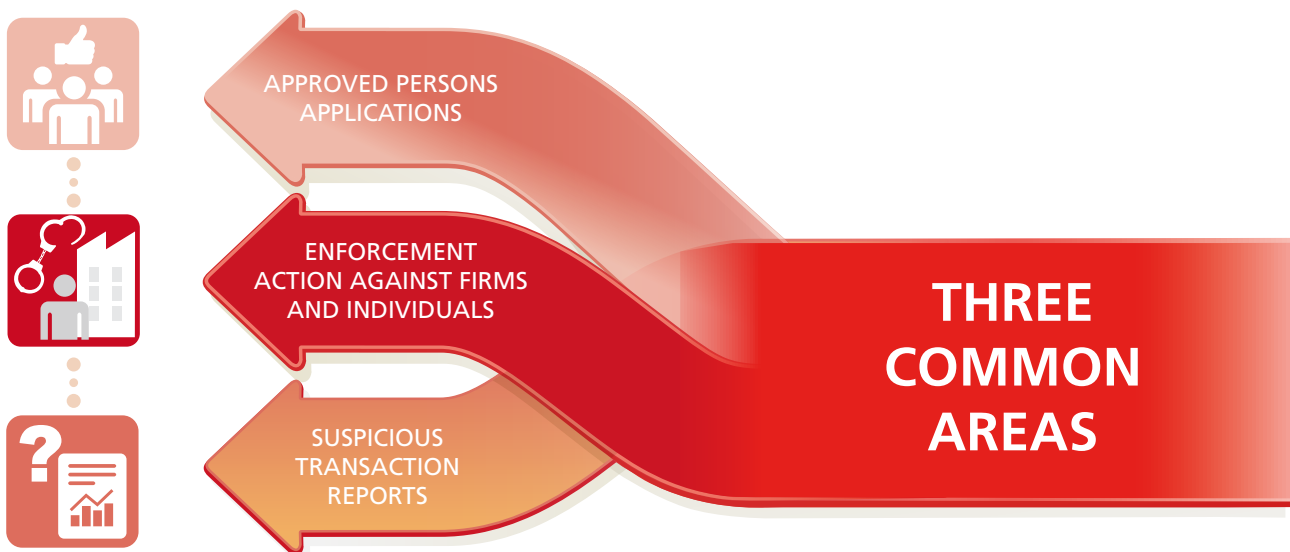
The number of tracker mortgages has continued to fall, with a 47% decrease between 2012 and 2013. The volume of total sales still remains significantly lower than before the financial crisis.

Between 2012 and 2013 there was a 31% increase in the number of sales to first-time buyers. Home movers and remortgage sales also increased, by 10% and 12% respectively. Remortgage sales have been hardest hit by the financial crisis, dropping to a quarterly average of around 80,000 compared to 260,000 in 2007.

Sales in capital and interest mortgages increased by 22% between 2012 and 2013, whereas interest-only mortgage sales decreased by 15%.

Freedom of information requests

Under the Freedom of Information Act (FOIA) we answer requests from the general public and other stakeholders regarding the data we hold. During 2013/14, we received 748 requests, of which 473 were progressed as formal FOIA requests. This is an increase of around 3% since 2012/13. In this section we provide some information on the areas that we frequently receive requests about and that we believe are of wider public interest.



Approved persons applications

We make sure that only people that are fit and proper are in positions of influence in financial services firms. We call these positions 'controlled functions' and anyone wanting to perform them must apply to be approved.

A controlled function is a position in a financial services firm that either:

- significantly influences the conduct of that firm's regulatory activities, e.g. non-executive directors (CF2), compliance oversight (CF10)
- deals with customers, e.g. financial advisers and traders (CF30)

The results show that since the financial crisis there has been a significant decline in the number of individuals approved, particularly those performing customer functions. However, over the past few years this decline has begun to level off.

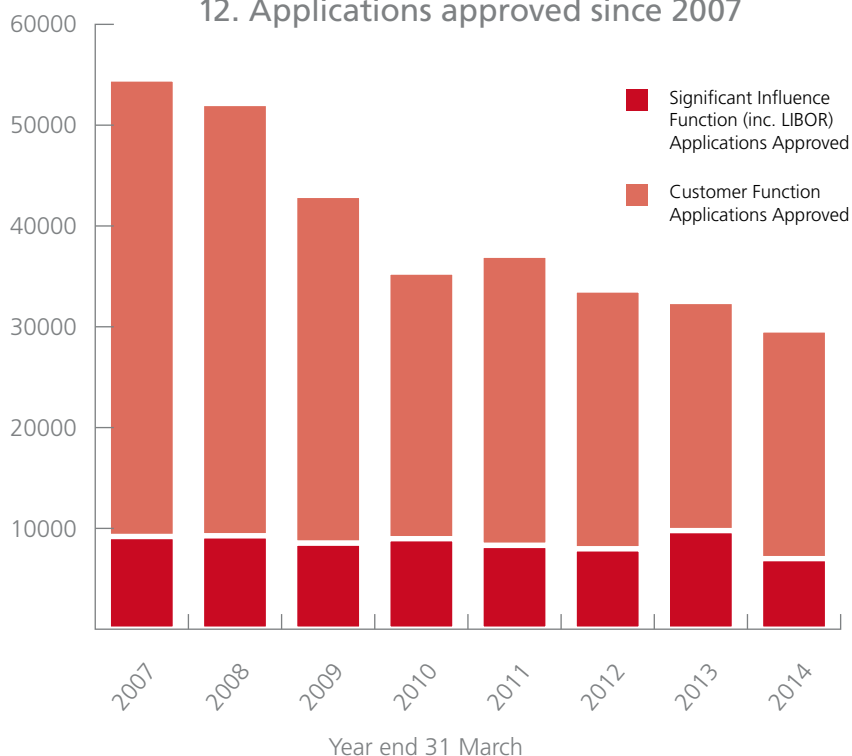
Enforcement action against firms and individuals

We publish certain information about our enforcement action through warning notice statements, decision notices or final notices.

- Warning notices are issued when we propose to take action. We may publish details about these in [warning notice statements](#).⁸
- [Decision notices](#)⁹ are issued when we decide to take action.
- [Final notices](#)¹⁰ are issued when we take action.

The number of final notices that we have issued against individuals since 2010/11 has decreased. This reflects a large number of cases in 2010/11 relating to mortgage fraud. Ensuring that senior management are held to account remains a key priority of the FCA. It requires significant resource to pursue enforcement cases against individuals which can take a number of years to conclude. We continue to

12. Applications approved since 2007



To find out more about controlled functions, a list of the different types are available here: <http://www.fca.org.uk/firms/being-regulated/approved/approved-persons/functions>

13. Final notices issued against firms and individuals since 2011



Please note that in cases involving unauthorised business we will often issue press releases as opposed to Final Notices. These cases are therefore excluded from the figures above. The number of Final Notices issued include cases where regulated firms or individuals have failed to meet the FCA's minimum standards i.e. Threshold Conditions.

⁸ <http://www.fca.org.uk/your-fca/list?ttypes=Warning+notice+statements&year=&search=>

⁹ <http://www.fca.org.uk/your-fca/list?ttypes=Decision+notice&year=&search=>

¹⁰ <http://www.fca.org.uk/your-fca/list?ttypes=Final+Notice&year=&search=>

improve and evolve our approach to these challenging cases based on our experience in recent years. The FCA also takes action against individuals by securing criminal convictions.

Suspicious transaction reports (STRs)

Firms arranging transactions in certain financial instruments are required to report any suspicious activity to us.

A suspicious transaction is one in which there are reasonable grounds to suspect it might constitute market abuse, such as insider dealing or market manipulation. Suspicious transactions in relation to the Market Abuse regime are distinct from Suspicious Activity Reports (SARs), which are governed by the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

Over the past two years, we have significantly increased our focus on STRs. We have carried out – and will continue to carry out – supervisory visits to firms to more closely review the systems and controls in place to identify suspicious transactions. This focus has led to a substantial increase in the number of submissions we have received from investment firms over the past six years.

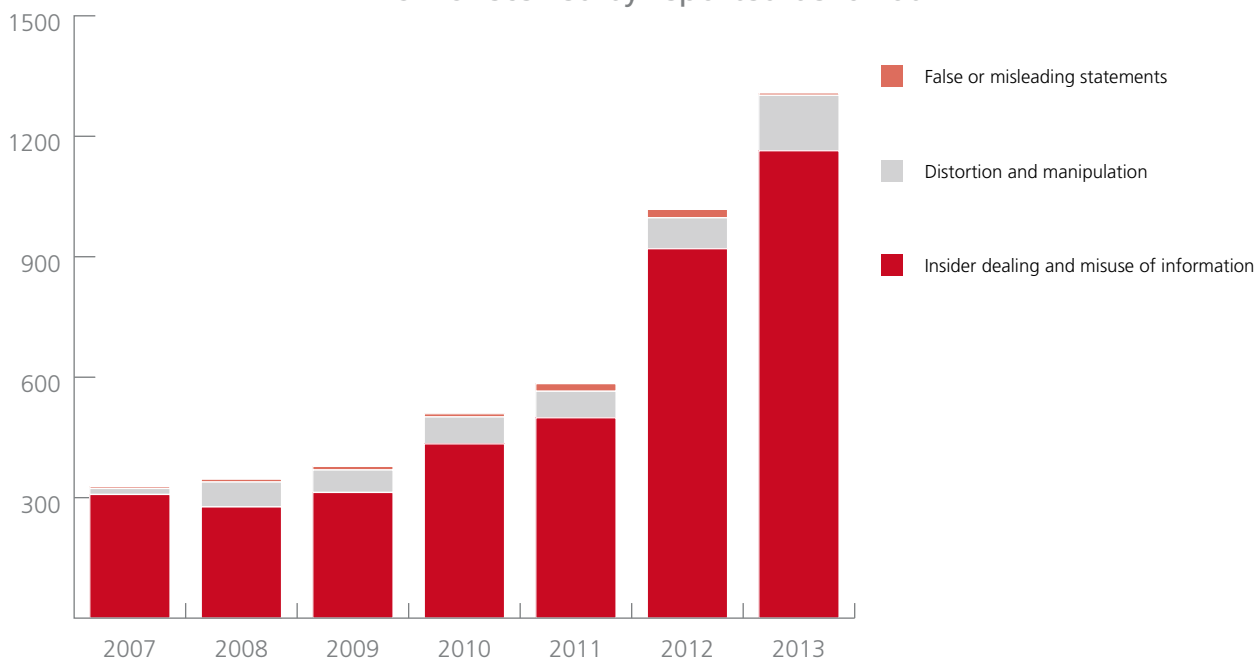
For more information

On our website we publish:

- [a complete list of final notices](#)¹¹
- [other disclosures made under FOIA](#)¹² that we consider to be of wider public interest

You can also find more information on how to raise a FOIA request.

14. STRs received by reported behaviour



Data shown as at 15 August 2014

11 <http://www.fca.org.uk/your-fca/list?ttypes=Final+Notice&year=&ssearch=>

12 <http://www.fca.org.uk/site-info/information/disclosure-log>



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:

fcadataandanalysis@fca.org.uk

Get the facts

If you would like to subscribe/ unsubscribe from the Data Bulletin please visit:

fca.org.uk/your-fca/documents/data-bulletin/form

Useful links



Latest available data

External links

[Bank of England statistics](#) (09/09/2014)

[Financial Ombudsman Service complaints data](#)¹³
(05/08/2014)

FCA links

[FCA freedom of information request data](#) (15/08/2014)

[FCA complaints data](#) (25/09/2014)

[FCA product sales data](#) (07/10/2014)

[FCA department service standards & performance](#)
(30/07/2014)

[FCA mortgage lending statistics](#) (09/09/2014)

[FCA PPI refunds and compensation](#) (29/08/2014)

[FCA interest rate hedging products](#) (29/08/2014)

[FCA financial penalties table](#) (01/09/2014)

[Your FCA](#)

Data Bulletin

[Underlying data used in this bulletin](#)

¹³ The complaints data we publish can be used with the data published by the ombudsman service. However, the two sets of complaints data cannot be directly compared. Our data includes all complaints reported by firms, whereas the data published by the ombudsman service includes only those complaints which the firm has been unable to resolve to the customer's satisfaction and referred to the ombudsman service. There can also be significant time lags between a firm considering a complaint and when it is included in our data, and this complaint subsequently being referred to the ombudsman service and included in their data.

Financial Conduct Authority



www.fca.org.uk/your-fca/data-bulletin/data-bulletin-october-2014

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