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31 March 2026

By email: cp25-34@fca.org.uk

Dear Sir/Madam,

**Financial Services Consumer Panel response to FCA CP25/34
ESG (Environmental, Social, Governance) ratings: Proposed approach to
regulation**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper (the CP) titled ESG (Environmental, Social, Governance) ratings: Proposed approach to regulation. We are an independent panel that represents the interests of consumers of financial services including both individuals and small businesses. Our focus is on the outcomes and impacts to these stakeholders.

The Panel largely supports the proposals made by the FCA for the regulation of ESG ratings, and we appreciate the significant efforts of the FCA to explain and analyse the impacts of the intervention to stakeholders. We were particularly impressed with the CBA analysis, and the fact that it was supported by pre-analysis research. Although we do have some suggestions for the CBA, we suggest that the FCA consider the approach in this CP as a starting benchmark for future consultations.

We have provided responses to the questions in the Appendix, but we do have some high-level points we would like to call out as cross-cutting:

- The Panel is not completely comfortable with the assumption that this intervention is unlikely to impact consumer and small business stakeholders directly, especially when considering likely future trends. Unless the FCA has clear evidence to support their proposed approach, the Panel would prefer that the FCA uses caution and assumes that standard consumer protections should be in place rather than assuming they are not necessary. We consider it is likely to be preferable to include such

protections from the outset rather than introducing them separately at a later stage.

- We also note that the FCA needs to be mindful of the fast-moving context and make every effort to future proof the regulation. The fast pace of technology change may change how users access ESG ratings. For example, the FCA's data clearly indicates that there is interest in ESG by retail investors, and given that online trading is increasing, there may well be a substantial change in the level of desire for retail investors to have direct access to ESG ratings.
- Furthermore, the geopolitical context has changed quite dramatically since this CP was published. The renewed importance of ESG factors is likely to lead to a material resurgence in ESG investing. The sooner stakeholders are able to have confidence in ESG ratings to support good investment decisions, the better.

We do very much appreciate the efforts to date, and the Panel welcomes the opportunity to continue to support the FCA on this very important initiative.

Yours sincerely,

Chris Pond
Chair, Financial Services Consumer Panel

Appendix

Question 1. Do you agree with the proposed approach not to apply the Duty to rating providers? If not, please specify what you disagree with and why.

The Panel understands the FCA's rationale for not applying the Consumer Duty to ratings providers, but we do not necessarily fully agree with the position. We believe that consumers will place significant reliance on ESG ratings; therefore, relevant explanations received by consumers must be compliant with the Duty. We realise that consumers will be receiving this information not from the provider, but from an intermediate source which clearly must comply with the Duty. However, if the intermediate source must translate the information given to it by the provider to provide a new explanation to the consumer, there is considerable risk that the information will not align. This would be problematic for all three parties.

Furthermore, whilst not applying the Duty may mean that the ratings provider has been relieved of some responsibility, the firm providing the rating to the consumer must take on additional responsibility to ensure appropriate communication than they would have done if the ratings provider had been subject to the Duty. Therefore, we would like to see the Consumer Duty apply to ESG ratings providers in a proportionate way associated with the level of consumer dependency. If the FCA does decide not to apply the Duty to ESG ratings providers, the FCA should monitor the direct use of ESG ratings by consumers. If the direct use of ESG ratings by consumers is or becomes material, the Panel believes that rating providers should be made subject to the Consumer Duty.

Question 2. Do you agree with our approach to applying the high-level standards to rating providers? If not, please specify what you disagree with and why.

The Panel supports the FCA's approach to applying the high-level standards to rating providers.

We agree that the prudential requirements are generally sufficient. However, if the FCA identifies that there is the potential for consolidation in the sector or significant investment by private equity firms, it should investigate to ensure that there are no issues that might indicate material weaknesses. The FCA should also engage and liaise with the Competition and Markets Authority whenever indicated.

The Panel also agrees with the FCA's proposals relating to the application of SYSC (and GEN). We are comfortable with the broad set of rules to be applied.

Furthermore, we particularly appreciate that the chapter on outsourcing will apply as rules rather than guidance and that there will be specific conflict of interest rules for rating providers.

We also agree that rating providers should have robust systems and controls in place to prevent, detect, and manage financial crime risks. Even though MAR already applies to the sector, the Panel would be particularly concerned that any changes in the visibility of ESG ratings could lead to actors using them to try to influence market trading. Therefore, we encourage the FCA to continue to monitor any relevant activity(ies).

Question 3. Do you think existing regulatory regimes sufficiently address the risk of harm? If not, which areas do you think need to be addressed and why?

The Panel is aware that the FCA has not been able to propose standards for the use of ESG ratings in the context of the value for money framework applying to pensions (see CP26/1), which we think is problematic and should be addressed. However, we would also suggest that, in general, different standards across multiple regimes is not helpful, as it may lead to confusion and misinterpretation. Therefore, the FCA should also work to ensure that there is a high degree of consistency across all regimes, allowing divergence only when absolutely necessary.

Question 4. Do you agree with the proposed minimum public disclosures listed in Table 2? If not, please specify what you disagree with and why.

and

Question 5. Are there any key minimum public disclosures missing from the proposed list in Table 2? If so, please specify which disclosures and why they should be included.

The Panel agrees with the proposed minimum public disclosures; they seem quite thorough and practical. However, although it may be implied in the summary of the main data policies and processes, we would suggest that it should be clearly articulated that, when relevant, research methods and statistical analyses should be clearly described. In the event that any research supports the rating, this will provide the ability for others to replicate or challenge the results.

Question 6. Do you agree with the proposed disclosures for direct users and rated entities and approach to onward sharing? If not, please specify what you disagree with and why.

and

Question 7. Are there any key minimum disclosures missing from the proposed list in Table 3? If so, please specify which disclosures and why they should be included.

The Panel does not disagree with the disclosures themselves or the approach to onward sharing. However, we would like the FCA to clarify the definitions of direct users, as well as the distinction between what is a product-level disclosure vs. an individual rating-level disclosure. We believe that it is important to challenge the assumption that direct users and rated entities require more detailed information than the public. Many members of the public have a keen interest in ESG ratings, and it appears that the public also includes academic and other researchers. We believe that they should be considered to have the same information needs as identified for a direct user.

Question 8. Do you agree with our general expectations for transparency? If not, please specify what you disagree with and why.

The Panel agrees that the general expectations for transparency generally seem reasonable. We would suggest that it might be helpful to add that disclosures should be tailored for understanding by the least expert audience if there are multiple audiences.

We appreciate the ability to utilise multiple channels of communication, as this will be especially helpful for those audiences for which standard written communications may prove challenging.

Question 9. Overall, do you expect any significant challenges in implementing the proposed approach to transparency and minimum disclosures? If so, please specify which elements and the nature of the challenges.

No response.

Question 10. Do you agree with the proposed governance approach for rating providers? If not, please specify what you disagree with and why.

The Panel fully supports the proposed approach to governance. Since some of the rating providers may not have previously experienced a regulated environment, it may be helpful to provide additional guidance. We believe that this may be particularly true relating to outsourcing arrangements covering due diligence, service level agreements, operational review formalisation, etc.

Question 11. Do you agree with the proposed approach to systems and controls, including:

- a. Quality control and methodology**
- b. Data quality and accuracy**
- c. Record keeping**
- d. Personal transactions**

If not, please specify which elements you disagree with, what alternative approach you would suggest and why.

The Panel fully supports the expectations relating to systems and controls.

Question 12. Do you agree with the proposed requirement to give rated entities and users notice of material changes to a methodology? Should any other stakeholders also be given this notice?

Yes, the Panel agrees with the requirement to give rated entities and users notice of material changes to a methodology. We believe it is important that material changes should also be notified to the public, via a notice on the rating provider's website (which has been previously signposted as a resource for notifications).

Question 13. Do you agree with our proposed approach to conflicts of interest? If not, please specify what you disagree with and why.

Yes, the Panel agrees with the proposed approach to conflicts of interest. In addition to the current rules, the Panel suggests that additional provisions should be included relating to employee expectations; for example, requirement for staff to understand the relevant policy(ies), appropriate staff training, annual conflict of interest attestation, and the possibility of the prohibition of employment by a stakeholder of a rating for a period.

Question 14. Do you expect any challenges in implementing the proposed rules? If so, please specify which rules and the nature of the challenges.

Although this question does not apply to the Panel, we do not believe that there should be any challenges in implementing these rules by rating providers. These proposals are common conflict of interest expectations that apply across many sectors, not just regulated entities.

Question 15. Do you agree with the proposed approach for stakeholder engagement? If not, please specify what you disagree with and why, and if you have identified any gaps.

The Panel agrees with the proposed approach for stakeholder engagement. Any rated entity should receive notification in advance that they will be rated, and they should have the ability and time to appropriately challenge the rating before it is published, or after when indicated. We also agree that feedback mechanisms are helpful for ensuring that rating providers are delivering the best service.

Question 16. Do you agree with the proposed approach for complaints handling? If not, please specify what you disagree with and why.

The Panel generally agrees with the proposed approach to complaints handling. It is important that rating providers must consider and react to complaints in a fair manner and in a reasonable timeframe.

However, we would highlight that consumers may also have a keen interest in a rating provider's ESG ratings and may either deal with ESG ratings providers directly or have cause to complain to them (for example where the consumer has relied on an erroneous rating when making an investment in circumstances where they do not have the opportunity to complain to another regulated firm). In such circumstances, it is essential that ratings providers deal with complaints promptly and fairly, and there is a case for DISP to be applicable. Whilst we might agree that a consumer's issue with a rating may not always lead to a direct negative financial impact, we also note that the definition of a complaint in paragraph 6.14 includes dissatisfaction that results in material distress or inconvenience. Consumers who have made an investment decision based on an ESG rating may have significant emotional distress if they later find that the rating was incorrect. They may also have put their money at risk/made an investment they would not have made but for the incorrect rating. We also note that some consumers stop investing altogether if they lose trust in the sector.

Question 17. Do you expect any significant challenges in implementing the proposed approach for stakeholder engagement or complaints? If so, please specify which elements and the nature of the challenges.

Although this question does not apply to the Panel, we do not believe that there should be any challenges in implementing these rules by rating providers. These proposals are good business practices that apply across many sectors, not just regulated entities.

Question 18. Do you agree with our proposal to not extend the Financial Ombudsman's compulsory jurisdiction to enable complaints about providing an ESG rating to be considered by it? If not, please specify what you disagree with and why.

The Panel understands that the position presented in 6.19 is that retail consumers are unlikely to deal directly with rating providers. Therefore, since they are the only stakeholders that could file a complaint with the Financial Ombudsman Service (FOS), there is no need to include complaints relating to ESG ratings under FOS jurisdiction. We believe that this is an as yet untested hypothesis and consider this needs to be more thoroughly investigated before a final decision is made. Any decision not to extend FOS' jurisdiction should be on the basis of clear evidence. As noted above, the Panel can see circumstances in which consumers may deal directly with ratings providers and/or rely on their products. We also consider this is likely to increase in probability over time given the greater focus on ESG and the greater awareness among consumers.

Where consumers do suffer harm, the Panel considers they should be able to take their complaint to FOS if necessary. While it may be the case that in many situations consumers could seek redress from another regulated firm (eg an advisor), this may not always be the case.

Unless there is clear evidence to the contrary, we think the proposed approach is likely to leave consumers in some circumstances at risk and accordingly we encourage the FCA to extend the FOS' jurisdiction. At the very least, if the FCA decides not to change tack, it should keep the position under close observation.

Question 19. Do you agree with the Financial Ombudsman's proposal to not extend its voluntary jurisdiction to cover complaints about providing an ESG rating? If not, please explain why.

Please refer to the Panel's response to Question 18. If the compulsory jurisdiction of the FOS is not extended, we think firms should be able to become subject to the the FOS voluntary jurisdiction.

Question 20. Do you agree with the proposal to not provide FSCS cover? If not, please explain why.

The Panel can see the argument for the proposed approach. However, to the extent further work by the FCA identifies scope for consumer detriment for which ESG ratings providers are liable and/or supports the extension of the FOS jurisdiction, then we consider the position re availability of FSCS protection would also need to be reconsidered.

Question 21. Do you agree with our approach of applying the standard (Core) SM&CR to ESG rating providers as it applies to most other FCA regulated firms? If not, what alternative approach would you propose?

Yes, the Panel agrees that the Senior Managers and Certification Regime should apply to rating providers and that they are appropriately included in the Core

category of regulated firms. We believe that including rating providers in the SM&CR regime will help to ensure that these firms have the appropriate internal culture and there is proper accountability and good governance.

We recognise that there may be changes to the Certification Regime; however, in the current context, we believe that the FCA should monitor the rating provider sector to determine whether there are critical skills and knowledge needed to perform relevant roles. If that is determined to be the case, it may be necessary to add a certification function.

Question 22. Does the proposed perimeter guidance provide sufficient support to help firms understand when FCA authorisation might be required? If not, what else should the guidance cover?

The Panel agrees that the proposed perimeter guidance is helpful. However, because the information is important for all stakeholders to understand, we believe the FCA could go further by producing a summary version that is framed in non-legal terms and structure. Additional guidance may also be helpful, for example, we also suggest that the definition of terms such as ESG rating product-line is not clear (nor is single methodology), and specific and practical examples would be useful. The supporting materials should be tested with stakeholders outside legal and compliance teams for understanding.

Question 23. Do you agree with our proposed application fee structure for ESG rating providers? If not, please explain why you disagree.

No response.

Question 24. Do you agree that the threshold to define larger ESG rating providers should be a forecast annual revenue of £250,000 or more? If not, please explain why you disagree.

We have no evidence to the contrary, but the Panel is always of the view that thresholds should be based on evidential data.

Question 25. Do you agree with our proposed application of certain existing SUP rules and guidance to rating providers? If not, please specify what you disagree with and why.

Yes, the Panel appreciates the listing of the relevant SUP rules in the CP and agrees with the application of these rules to rating providers. However, for clarity, we would also suggest that the FCA explain the conditions under which a dedicated supervisor may be assigned to a firm (even if it is unlikely to apply to rating providers).

Question 26. Do you have any comments on our proposal to apply the same approach to enforcement investigations and actions to rating providers as we do to other regulated firms, as set out in ENFG? If yes, please specify.

and

Question 27. Do you have any comments on our proposal to follow the same procedures for decision-making and imposing penalties in relation to rating providers and their personnel as set out in DEPP? If yes, please specify.

The Panel agrees that the enforcement approaches, as set out in ENFG and the procedures for decision-making and penalty imposition, as set out in DEPP should apply to rating providers in the same manner as they do to other regulated firms.

Question 28. Do you have any additional comments on our proposed rules and guidance set out in this CP, including where we could take an alternative approach, or think there are any other topics we should consider? If yes, please specify.

As we have noted in other sections of our response, the Panel believes that there should be greater emphasis on consumers, both as retail investors and as small businesses. The FCA's metrics in Figure 1 show that large proportions of rating users are representing consumer interests. As consumers continue to gravitate to online-trading platforms, this shift is likely to lead to a greater desire to access ESG ratings on which to make decisions that most accurately reflect the objectives of these investors. Many small businesses also support ESG objectives and would prefer to do business with other businesses that support ESG objectives; therefore, they would use ESG ratings to support their business decision making. The Panel would like the FCA to give greater consideration to these potential stakeholders.

Question 29. We have aimed to make the proposed rules in Appendix 1 as clear and straightforward as possible. Are there any specific areas you found difficult to interpret or apply? If so, please identify the relevant rule(s) and explain the difficulty.

Subject to our broader comments set out above, the Panel has the following comments and questions relating to the following proposed rules in Appendix 1:

- Annex A - Amendments to the Glossary of definitions
 - *ESG rating product-line: the type of ESG ratings produced according to a single methodology.* This is difficult to understand and could be a challenge to apply practically, especially given standard use of the term

“product line”. It also utilises a circular reference to the definition of methodology.

- *methodology: a system of models, techniques and procedures for producing an ESG rating product-line.* This includes a circular reference to the definition of ESG rating product-line.
- *retail market business:... which involves a retail customer, but not including the following activities:*
 - (7) *providing an ESG rating and any ancillary activity to that activity.*

For the reasons set out in our responses above, we think the Consumer Duty should apply and so this exception is not required.
- Annex C - Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)
 - It would be helpful to have more of the content of SYSC included, so that the reader can better understand the context without the necessity of resorting to the Handbook, for example:
 - SYSC 8 Outsourcing
 - SYSC 8.1.1R

A common platform firm **and an ESG rating provider** must:

- (1) when relying on a third party for the performance of operational functions which are critical for the performance of [regulated activities](#), [listed activities](#) or [ancillary services](#) (in this chapter "relevant services and activities") on a continuous and satisfactory basis, ensure that it takes reasonable steps to avoid undue additional operational risk; and
- (2) not undertake the [outsourcing](#) of important operational functions in such a way as to impair materially:
 - (a) the quality of its internal control; and
 - (b) the ability of the [FCA](#) to monitor the [firm's](#) compliance with all obligations under the [regulatory system](#) and, if different, of a [competent authority](#) to monitor the [firm's](#) compliance with all obligations under [MiFID](#).

Furthermore, in this case the table in the CP showing SYSC 8.1.1R - *Guidance - but applies as a rule to an ESG rating provider* does not seem to be the best approach. We might suggest changing the introductory sentence as shown in bold above.

- Annex E - Amendments to the Environmental, Social and Governance sourcebook (ESG)

This annex is extremely important for the various parties providing or relying on an ESG rating. The FCA should test a sample to ensure that these stakeholders understand the included rules and guidance.

 - 6.3.15 The Panel suggests that further clarification might be needed for this paragraph, as “matter giving rise to the complaint” could be interpreted quite differently depending on the perspective of the stakeholder. We also suggest consideration be given to whether the 3 year period should run from when the matter giving rise to the

complaint was, or ought reasonably to have been, known to the complainant.

- 6.3.16 Recognising that this is guidance rather than a rule, the Panel has a concern that this paragraph could allow issues to continue that would otherwise be addressed by investigation. We would prefer that this paragraph is changed to reflect that possibility, e.g., “does not have to be investigated by the *firm*, unless there is evidence that the nature of the complaint may have application and / or read across to current products or services.”
- 6.4.15 The Panel believes that this paragraph should also make it clear that, if the original ESG rating was available to the public, the notification explained in 6.4.14 must also be made available to the public in the same manner.
- 6.5.3(6) The Panel believes that the FCA should also consider whether contracts should expressly prohibit offers of employment by a rated entity to an employee involved in the ESG rating process for a period after the issuance of a rating.
- Annex F - Amendments to the Supervision sourcebook (SUP)
 - Whilst we understand the exceptions included in SUP 16.4 (annual controllers report) and SUP 16.5 (annual close links report), the firm and FCA must monitor for potential conflicts of interest to ensure that they are properly addressed. This can be particularly challenging in complex global organisations, and it may be easier for this reporting to be required for such firms.
 - 16.26 The Panel does not understand the reasoning for the exception relating to the reporting of information about Directory persons; it would be helpful if the FCA explains its position.
- Annex G - Amendments to the Dispute Resolution: Complaints sourcebook (DISP)
 - The Panel is not convinced that DISP should not apply to ESG rating providers, as we believe that consumers may well rely on ESG ratings published by providers and could suffer material financial loss, distress, or inconvenience as a result. Therefore, at present, we do not agree with the exclusion of ESG rating providers from the various DISP provisions noted.
- Annex H - Amendments to the Perimeter Guidance manual (PERG)
 - 2.4.11(1)(b)G and 2.8.14F(11)G Although we are not aware of any particular circumstance where a rating provider located outside the UK might be providing an ESG rating to a person in the UK, we are concerned that the remuneration exclusion could easily be evaded. Does the FCA have a plan as to how this will be monitored or possible actions it might take if it discovers this is occurring?
 - 18.3 Q3 (1) As PERG 2.3 notes, “by way of business” differs depending on the activity. Given today’s ability to link and update content, we

would suggest that it is far easier for readers to understand if the relevant text in PERG2.3 is included rather than the reference to it.

- 18.3 Q3 (5) and (6) PERG 2.9 and PERG 2.10 are extremely difficult to interpret the potential exclusions applying to a firm providing ESG ratings. Recognising that this is guidance and the authorisation gateway will disabuse firms who might not know that they qualify for an exclusion, we propose that this guidance could be clearer by listing the headings that would be helpful to consider. Alternatively, or in addition to, it would be helpful to refer the reader to 18.6 Exclusions. We also suggest that reference is made to the FCA's Pre-Application Support Service.
- 18.4 Q4. The definition of an ESG factor is merely the spelling out of the acronym, rather than a clarification of what constitutes an environmental, social, or governance factor. We would suggest that reference to definitions in the UK Sustainability Reporting Standards would be helpful once they are finalised.
- 18.4 Q7. The use of the word "system" is unclear. The text needs to explain this in more detail. For example, would using AI to determine a ranking qualify as a system? We note the use of the word "steps" in Q9. It might be helpful to frame the word "system" in terms of steps and outcomes.
- 18.4 Q10. Please see our above comments to 18.3 Q3 (1).
- 18.4 Q11. Please see our above comments to 18.3 Q3 (1) and 18.3 Q3 (5) and (6).
- 18.5 Q15. Please see our above comments to 2.4.11(1)(b)G and 2.8.14F(11)G.
- 18.6 Q16. to Q26. As we noted in our response to 18.3 Q3 (5) and (6), it may be helpful to also refer the reader to the FCA's Pre-Application Support Service.
- 18.7 Q27. It might be helpful to make it clear that the *Act* refers to the Financial Services and Markets Act 2000, as the XX in Part XX may be interpreted as open characters rather than as an official component of legislation.

Question 30. Do you have any comments on our cost benefit analysis?

The Panel commends the FCA for an extremely thorough and well-documented cost benefit analysis (CBA). The concepts around the various costs and benefits are well articulated, and it is clear that considerable thought has been given to the impacts to stakeholders. We particularly appreciate that there is dedicated FCA research that supports the analyses and calculations¹.

¹ [Research Note: Understanding the UK ESG ratings market: Findings from our surveys | FCA](#)

We particularly note the metrics related to users and uses in Figure 1. The Panel would suggest that this intervention is likely to lead to greater awareness of and confidence in ESG ratings, which would be expected to have a measurable impact on these metrics. We would urge the FCA to monitor this on an ongoing basis. For example, in the context of the costs associated with climate change, we might envision that the use by the insurance sector for underwriting is quite limited at this time but could expand significantly with the availability of substantiated quality ESG ratings. We also comment that the users appear to largely represent those sectors that serve consumers, indicating that consumers are keenly interested in ESG. We would suggest that the FCA also consider measuring direct use by consumers, both from an investment perspective, but also from a social responsibility perspective.

This takes us to a point that there is a key area where we believe the CBA could be enhanced, which echoes comments of the CBA Panel. There should be greater data capture and analysis of the benefits, especially those that might appear secondary to the FCA's primary objectives. In many cases, these are the benefits that most interest consumers and small businesses, and with the government's focus on growth and appropriate capital allocation, benefits that are also likely to be closely associated with growth.

We understand that quantifying all material costs and benefits may be challenging; however, we do believe that it is important for decision-making purposes. For example, we do not see any mention of the potential impacts of ESG ratings on insurance costs, e.g., from a short-term perspective of more accurate premium calculations to a long-term perspective of the ability to incentivise climate resilience.

Similarly, we are disappointed that the FCA did not attempt to quantify the benefits of quality ESG ratings on the transition to net zero. Reliable ratings support efficient capital allocation, encourage investment in the UK transition by UK and non-UK investors, and also provide a marker for lower achieving organisations to improve. We also mention that we suspect that there is something of an irony here, as the rating providers may in fact be capturing such metrics for their ratings.

The Panel highlights that the methodology used to assess efficiency gains is an excellent example of a well-designed and executed benefit analysis. We would encourage the FCA to use this as an example. It demonstrates that appropriate pre-analysis survey questions are an ideal starting point. Therefore, we suggest that the FCA should attempt to identify benefits early and structure surveys to obtain the data needed.

Although it is not the underlying rationale for the CBA, we very much appreciate that the more data that the FCA provides to stakeholders, the better they will be

able to assess the impact to their business models. To this end, the Panel would suggest that a table with the costs and benefits for each category of stakeholder (e.g., rating provider, rating user, consumer, etc.) would be extremely useful for their decision-making purposes. This level of data would be extremely helpful for structuring follow-up monitoring as well.

The Panel has a few additional comments and suggestions:

- Whilst the alternative policy options section explains the approach taken, we do not see any information in the CBA about alternative policies that were actually considered.
- To support the assumption that there would be no change in the number of rating providers, we would like to have seen metrics / a graphic showing the historical changes in the number of providers.
- We agree that it is likely that compliance costs will be passed on to users, but we hope that this will be more than offset by the benefits. However, the FCA should ensure that this is the case by performing value for money assessments.
- The survey questions included the view of rating users relating to complaints, but we also think it would have been informative to capture data from the rating providers relating to their complaints volumes and handling processes.
- Although we agree that the additional costs may be daunting for the smaller rating providers, we also note that small businesses often fail because they lack good governance. Therefore, it is possible that some small rating providers will fail, but others will experience a long-term benefit. It would be interesting for the FCA to undertake longitudinal research to determine the impact of the intervention on small rating providers.
- It would have been helpful to have a high-level breakdown of FCA costs, but, at a minimum, we would expect this to include a budget for supervision, reporting and analysis, post-implementation review and periodic market studies and / or good and poor practice reviews.

In summary, although we did identify some concerns with the CBA, we take the view that the FCA has done excellent work to analyse this intervention, and we suggest that the FCA should possibly consider using this CBA as a benchmark to inform future CBAs. We would also very much encourage the FCA to utilise a post-impact evaluation as noted in paragraph 178 for lessons learned.