THE FINANCIAL SERVICES PRACTITIONER PANEL

Smaller Businesses Practitioner Panel
Financial Services Authority

19 February, 2013

Dear Mr. Cardinali,

Response: CP 13/2 'Regulatory fees and levies: The Money Advice Service cost allocation method for 2013/14'

The Financial Services Practitioner Panel and the Smaller Businesses Practitioner Panel were interested to note the publication of CP 13/2, setting out the proposed new cost allocation methodology for the Money Advice Service. The Panels recognise that the methodology for fee calculation will impact industry sectors to varying degrees, and that a change in the methodology would be financially beneficial for some whilst disadvantaging others. As the Panels represent the regulated community as a whole, we do not wish to comment on the merits of a shift in costs from one sector to another. However, we have some specific comments relating to the timing of implementation, which we have provided below.

Timing of consultation and implementation

Regardless of the merits of introducing a new methodology, we note that as proposed, the changes outlined in the consultation paper would lead to a significant change for one sector – home finance providers and administrators – in the immediate term. We have concerns about the impact on these firms of such a sizeable cost increase (1309%) being implemented this year. This is especially the case given the lack of notice that would be given to the affected firms, and the short timeline available for them to respond to this consultation and to make their representations. We are aware that there are concerns around making the fee structure activity as opposed to cost driven. There should be sufficient time for these arguments to be made.

We have had numerous discussions with FSA senior management regarding the regulatory cost increases facing firms this year, as they relate both to the FSA/FCA/PRA and others such as MAS, FSCS and FOS. Industry has experienced significant cost growth for a number of years now, whilst many firms have been operating under exceptionally challenging economic circumstances. As such, whilst recognising that the proposals as outlined represent a change to how costs are allocated rather than an overall increase, we are sensitive to the effect such a drastic funding change could have for the firms who have to pay it.

We would therefore encourage the regulator and the MAS to re-think the timing of its proposals and give firms longer to consider the merits of a change in methodology, as well as prepare for possible implementation.

We hope you find these comments helpful. We would welcome engagement with you on this topic prior to finalising any policy decision.

Kind regards,

Joe Garner

Chair

Financial Services
Practitioner Panel

Guy Matthews

Chair

Smaller Businesses
Practitioner Panel