

Debt Advice levy rates for 2020/21 – Additional Funding

Consultation Paper

CP20/16*

August 2020

How to respond

We are asking for comments on this Consultation Paper (CP) by **30 September 2020**.

You can send them to us using the form on our website at: www.fca.org.uk/cp20-16-response-form

Please do not post responses to us at the current time.

Telephone:
0207 066 9540

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cp20-16@fca.org.uk

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1 Summary

- 1.1** We consulted on the rates at which we propose to charge our levies for the Money and Pension Services (MaPS) and Devolved Authorities (DA) for 2020/2021 in Consultation Paper [CP20/6](#) 'FCA regulated fees and levies: Rates proposals 2020/21' and published the Policy Statement [PS20/7](#) which includes the feedback and made rules. [PS20/7](#) also references the additional debt advice levy that we have been asked to raise by Her Majesty's Treasury (HMT) and the Department for Work and Pensions (DWP).
- 1.2** The DWP has notified us that we must collect an additional £14.2m for MaPS in 2020/21 for the provision of debt advice in England. DWP have informed us that this additional levy is essential to enable MaPS to respond to the coronavirus (Covid-19) crisis and the expected increase in requirements for debt advice and to ensure the debt advice sector is able to maintain its ability to provide advice where needed.
- 1.3** HMT has notified us that we must also collect an additional £2.087m for the provision of debt advice in the Devolved Authorities, to maintain capacity in light of coronavirus within Scotland, Wales and Northern Ireland.

Why we are consulting

- 1.4** In this paper, we consult on the rates at which we propose to charge our levies for the additional amount of funding for debt advice notified to us by HMT and DWP. This consultation enables us to raise the additional debt advice levies in 2020/21 to fund the:
- Money and Pensions Service (MaPS) referred to in our FEES manual as the Single Financial Guidance Body
 - Devolved Authorities (DA)

Who this applies to

- 1.5** Fee payers that contribute towards the MaPS and Devolved Authorities debt advice will be affected by this consultation. This consultation is not directly relevant to retail financial services consumers or consumer groups, although fees are indirectly met by financial services consumers.

The wider context of this consultation

- 1.6** In [CP20/6](#), we consulted on the rates at which we propose to charge our levies for MaPS and the Devolved Authorities for 2020/21, and published our final rules on 2 July 2020 in policy statement [PS20/7](#). This policy statement also references the additional debt advice levy that we have been asked to raise by HMT and DWP.

- 1.7** HMT and DWP have informed us that these additional levies are essential to enable MaPS and Devolved Authorities to respond effectively to the impact of coronavirus crisis and the increase in the requirement for debt advice services across the UK. We propose to allocate debt advice funding to fee-blocks on the same basis as we did in consultation [CP20/6](#) and in 2019/20.

Outcome we are seeking

- 1.8** The FCA has no role in approving the MaPS or Devolved Authority operating budget, but we are responsible for collecting funding each year notified to us by DWP and HMT.
- 1.9** We propose to allocate costs under this additional MaPS and Devolved Authority debt advice levy in the same proportion they have been allocated in [2020/21](#) and in 2019/20.

Next steps

- 1.10** We want to know what you think of the additional debt advice levy in 2020/21 for:
- MaPS
 - Devolved Authorities
- 1.11** Please send us your comments by 30 September 2020.

How to respond

- 1.12** Use the online response form on our website, e-mail or by telephone. Please do not send us responses by post at this time.

What will we do

- 1.13** We will consider your comments on our proposals and, subject to FCA Board approval in November 2020, we plan to publish feedback in November/December 2020.
- 1.14** Firms will be invoiced from December 2020, on the basis of the additional fees and levies.

2 The wider context

Money and Pensions Service levy

- 2.1** In Chapter 3, we consult on the rates at which we propose to charge for the additional debt advice levy for MaPS to fund debt advice in England in 2020/21. MaPS is an arm's-length body, sponsored by the DWP. We propose to allocate debt advice funding to fee-blocks on the same basis as we did in consultation [CP20/6](#) and in 2019/20.

Devolved Authorities debt advice levy

- 2.2** In Chapter 4, we consult on the additional debt advice allocation to fund debt advice delivered by the Devolved Authorities in Scotland, Wales and Northern Ireland in 2020/21. We propose to allocate costs under the Devolved Authorities' debt advice levy in the same proportion they were allocated in consultation [CP20/6](#) and in 2019/20.

How it links to our objectives

- 2.3** Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, by providing funding for the provision of debt advice in England and the Devolved Authorities, we meet our responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
- delivering consumer protection – securing an appropriate degree of protection for consumers
 - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
 - building competitive markets – promoting effective competition in the interests of consumers
- 2.4** We also consider that these proposals are indirectly compatible with our strategic objective of ensuring that the relevant markets function well. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F FSMA.
- 2.5** We also have obligations under the Financial Guidance and Claims Act 2018, and the additional levy proposals will allow the MaPS and Devolved Authorities to carry out their functions which also helps us to meet our consumer protection objective.

Equality and diversity implications

- 2.6** We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper.
- 2.7** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when making the final rules. In the meantime, we welcome your input to this consultation on this.

3 Money and Pensions Service levy

(FEES 7A Annex 2R – draft rules in Appendix 1)

- 3.1** The Single Financial Guidance Body (SFGB) came into operation on 1 January 2019 and took on the responsibilities of the Money Advice Service (MAS), Pension Wise and the Pensions Advisory Service (TPAS). The SFGB was re-named in April 2019 as the Money and Pensions Service (MaPS). MaPS is responsible for providing money and pensions guidance in the UK and debt advice in England. It also has a strategic function to develop and co-ordinate a national strategy to improve financial capability, debt management and financial education for children and young people.
- 3.2** MaPS is an arm's length body of the Department for Work and Pensions (DWP). The FCA has no oversight role in respect of its budget, but we are responsible (under section 12 of the Financial Guidance and Claims Act 2018) for collecting funding for MaPS to carry out its functions. Each year we must collect the amount notified to us by the DWP.
- 3.3** The DWP has notified us that we must collect an additional £14.2m for MaPS in 2020/21 for the provision of debt advice in England. This is in addition to the £64.6m of debt advice funding we previously consulted on in [CP20/6](#), and made the final rules for in [PS20/7](#) (the final figure being £63.2m). DWP have informed us that the £14.2m additional levy is essential to enable MaPS to respond to the coronavirus crisis and the expected increase in requirements for debt advice and to ensure the debt advice sector is able to maintain its ability to provide advice where needed.
- 3.4** As referenced in [PS20/7](#), we are consulting on this additional debt advice amount, for collection in 2020/21. We propose to allocate MaPS' costs to fee-blocks on the same basis as the set out in the final rules for the 2020/21 fees. We plan to consider allocations as part of the wider work with government for debt advice funding in the future.

Funding for debt advice in England

- 3.5** Before 2019, MAS commissioned debt advice for the UK as a whole. Responsibility for commissioning debt advice in Scotland, Wales and Northern Ireland has been given to the Devolved Authorities (see Chapter 4).
- 3.6** MaPS therefore commissions free-to-consumer debt advice in England through frontline partners. The DWP has informed us that the additional funding will be used to increase the capacity of these frontline debt advice services.
- 3.7** Pre-pandemic capacity for debt advice was c.2 million people receiving debt advice interventions. According to DWP the additional £14.2m will ensure that this level of capacity is maintained and that MaPS can work towards the delivery of its previous commitments to help 580,000 people with free-to-consumer debt advice sessions in England in 2020/21. It will also enable more advisers to work remotely so that they can continue delivering debt advice.

- 3.8** The £14.2m forms part of a package of support announced by the Government in June 2020, where the majority of financial support – a further £20.6m – is coming from the Government Reserve and an additional £3m being repurposed from MaPS' existing 2020-21 budget to fund the additional demand for debt advice provision created by coronavirus.
- 3.9** £12.95m of the £14.2m being collected via the Financial Services Levy (FSL) will be used by MaPS to make grant payments over the course of 2020/21 to debt advice providers to make up for their loss of income as a result of coronavirus. This will enable the debt advice sector to maintain its current capacity and put creditors as well as debtors on a more sustainable footing.
- 3.10** The remaining £1.25m will be used by MaPS to accelerate the roll-out of an element of its PACE (Piloting Adviser Capacity & Efficiency) operating model. This will equip more debt advisers with the required IT to enable them to work remotely. PACE is, in part, an IT platform which enables an easier client transfer process between creditors and advisers on a single system, which advisers can link into remotely. The broader PACE project also enables more automated data collection at the different stages of the debt advice process and creditor feedback, thereby delivering cost efficiencies and better customer journeys in the longer-term.

Allocation of debt advice costs for MaPS

- 3.11** We propose to allocate costs under this additional MaPS debt advice levy in the same proportion they have been allocated in 2020/21 and in 2019/20. We plan to consider allocations as part of the wider work with government for debt advice funding in the future.

Table 3.1: Proposed allocation between the two fee-blocks that contribute to MaPS debt advice levy.

MaPS debt advice levy	2020/21 allocation £m
A.2 Home finance providers and administrators	7.1
CC.3 Consumer credit lending	7.1
Total	14.2

The levy rates for firms based on this allocation are provided in Appendix 1.

Payment terms

- 3.12** All firms which come under the Home Finance (A.2) or the Consumer Credit (CC.3) will be required to pay within 30 days of the date of the invoice. Firms will be invoiced from December 2020.

Q1: Do you have any comments on the proposed 2020/21 rates for the additional MaPS debt advice levy?

4 Devolved Authorities levy

(FEES 7B Annex 1R – draft rules in Appendix 1)

- 4.1** In this chapter, we consult on the allocation of costs to fund debt advice provided through the Devolved Authorities in Scotland, Wales and Northern Ireland in 2020/21.
- 4.2** The Devolved Authorities are responsible for providing free-to-consumer debt advice in Scotland, Wales and Northern Ireland. Debt advice in England is provided by MaPS. See Chapter 3 for the MaPS debt advice levy.

Funding for debt advice in the Devolved Authorities

- 4.3** The Treasury has notified us that we must collect an additional £2.087m, (this is in addition to the £9.421m of debt advice funding we previously consulted on in CP20/6, and made the final rules for in PS20/7) to facilitate the Devolved Authorities to maintain debt advice capacity in light of coronavirus crisis. This will be supplemented by a further payment of £3.9m from the Government Reserve to fund the additional demand for debt advice provision.
- 4.4** The Treasury calculated the 2020/21 budget requirements for the Devolved Authorities using a funding formula based on population sizes and levels of over-indebtedness in Scotland, Wales and Northern Ireland.

Table 4.1: Additional debt advice funding requirement by Devolved Authority for 2020/21

Devolved Authority	Funding requirement 2020/21 £m
Scottish Government	£1.079
Welsh Government	£0.625
Department for Communities	£0.383
Total	£2.087

Allocation of debt advice costs for the Devolved Authorities

- 4.5** We propose to allocate costs under the Devolved Authorities' debt advice levy in the same proportion they have been allocated in 2020/21 and in 2019/20. We plan to consider allocations as part of the wider work with government for debt advice funding in the future.

Table 4.2: Proposed allocation of 2020/21 additional debt advice funding to fee-blocks.

Devolved Authorities' debt advice levy fee-block	Proposed 2020/21 £m
A.2 Home finance providers and administrators	£1.0435
CC.3 Consumer credit lending	£1.0435
Total	£2.087

4.6 The levy rates for firms based on this allocation are in Appendix 1.

Payment terms

4.7 All firms which come under the Home Finance (A.2) or the Consumer Credit (CC.3) will be required to pay within 30 days of the invoice. Firms will be invoiced from December 2020.

Q2: Do you have any comments on the proposed 2020/21 rates for the additional Devolved Authorities' debt advice levy?

Annex 1

Questions in this paper

- Q1:** Do you have any comments on the proposed 2020/21 rates for the additional MaPS debt advice levy?
- Q2:** Do you have any comments on the proposed 2020/21 rates for the additional Devolved Authorities debt advice levy?

Annex 2

Cost benefit analysis

1. Under section 138I of FSMA, the FCA is exempt from the requirement to carry out and publish a cost benefit analysis regarding proposals for rules regarding the Money and Pensions Service (MaPS) and the Devolved Authorities levy.

Annex 3

Compatibility statement

Compliance with legal requirements

1. This section explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA). Under section 138I of FSMA, the FCA is exempt from the requirement to carry out and publish a cost benefit analysis regarding proposals for rules regarding FCA fees and levies for the MaPS and the Devolved Authorities debt advice levy.
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to explain why we believe making the proposed rules is compatible with our strategic objective, advances one or more of our operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s.138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This section also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This section further includes our assessment of the equality and diversity implications of these proposals.

Our objectives and regulatory principles

5. Our proposals set out in this consultation are not intended in themselves to advance our operational objectives. However, they will enable us to fund the activities we need to undertake in 2020/21 to meet our responsibilities under FSMA. Therefore, these proposals will indirectly advance our operational objectives of:
 - delivering consumer protection – securing an appropriate degree of protection for consumers
 - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
 - building competitive markets – promoting effective competition in the interests of consumers
6. We also consider that these proposals are indirectly compatible with our strategic objective of ensuring that the relevant markets function well because they will again enable us to fund the activities to meet it. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.

7. The proposals for the MaPS and Devolved Authorities will enable us to meet our obligations under the Financial Guidance and Claims Act 2018. They will allow the MaPS and Devolved Authorities to carry out their functions which also helps us to meet our consumer protection objective.
8. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B FSMA. The most relevant regulatory principles are considered below:

The need to use our resources in the most efficient and economical way

- The MaPS and the Devolved Authorities are operationally independent, and not accountable to us. Our resources are not directly involved in carrying out their activities.

The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction

The Money and Pensions Service (MaPS)

- We are proposing to allocate the MaPS additional funding requirement to fee-blocks in the same proportions used in 2020/21 and in 2019/20 for the Money Advice Service and Pension Wise levy. We therefore believe that the proposed basis for recovering the additional 2020/21 MaPS debt advice funding requirement is proportionate.

The Devolved Authorities' debt advice levy

- The Devolved Authorities are responsible for free-to-consumer debt advice in Scotland, Wales and Northern Ireland. We are proposing to allocate the Devolved Authorities' additional funding requirement to fee-blocks in the same proportions used in 2020/21 and in 2019/20 for the Money Advice Service debt advice levy which covered the UK as a whole. We therefore believe that the proposed basis for recovering the additional 2020/21 Devolved Authorities' funding requirement is proportionate.

The desirability of recognising differences, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

- The allocation of the additional funding requirements of the MaPS and the Devolved Authorities recognises the differences in the nature of the businesses carried on by the different persons we regulate.
 - fee-blocks are defined by reference to related types of permitted business fee-payers can undertake
 - subject to minimum thresholds of size and minimum fees, fee-payers pay fees in each fee-block in line with the scale of the business they undertake in each fee-block

The principle that we should exercise our functions as transparently as possible

9. The DWP has notified us that we must collect an additional £14.2m for the MaPS in 2020-21 for the provision of debt advice in England. This is essential to enable MaPS to respond effectively to coronavirus crisis and ensure the debt advice sector is able to maintain its ability to provide advice where needed.
10. For the Devolved Authorities, HM Treasury has notified us that we must collect an additional £2.087m in order to maintain debt advice capacity in light of coronavirus crisis.

Expected effect on mutual societies

11. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. The impact of the additional levy rates proposed for 2020/21 for the MaPS debt advice levy and the Devolved Authorities' debt advice levy on authorised firms that are mutual societies is not significantly different from the impact on other authorised firms.

Compatibility with the duty to promote effective competition in the interests of consumers

12. The additional MaPS debt advice levy and Devolved Authorities debt advice levy are raised from fee-blocks that carry on business relevant to the work of the MaPS and Devolved Authorities. We consider that our proposals on allocation of costs under these levies are reasonable until data from MaPS and Devolved Authorities becomes available to justify a different allocation.

Equality and diversity

13. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.
14. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered.

Annex 4

Abbreviations used in this paper

CP	Consultation Paper
DWP	Department for Work Pensions
FCA	Financial Conduct Authority
FEES	Fees manual
FG&C Bill	Financial Guidance and Claims Bill
FSMA	Financial Services and Markets Act
The Treasury (HMT)	Her Majesty Treasury
MaPS	Money and Pensions Service
PACE	Piloting Adviser Capacity & Efficiency
PS	Policy Statement
SFGB	Single Financial Guidance Body
UK	United Kingdom



We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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Appendix 1

Draft Handbook text

DEBT ADVICE LEVY (ADDITIONAL SUM 2020/2021) INSTRUMENT 2020

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137SA (Rules to recover expenses relating to the single financial guidance body);
 - (2) section 137SB (Rules to recover debt advice expenses incurred by the devolved authorities);
 - (3) section 139A (Power of the FCA to give guidance); and
 - (4) section 137T (General supplementary powers)
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*] 2020.

Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

Pre conditions

- [E. The Secretary of State has consented to the Board making this instrument in respect of the debt advice levy.]
- [F. Her Majesty’s Treasury has consented to the Board making this instrument in respect of the devolved authorities.]

Citation

- G. This instrument may be cited as the Debt Advice Levy (Additional Sum 2020/2021) 2020.

By order of the Board
[*date*] 2020

Annex

Amendments to the Fees Manual (FEES)

In this Annex, underlining indicates new text.

7A SFGB levies

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7A SFGB debt advice levy for the period from 1 April 2020 to 31 March 2021

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2R

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Part 4

This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.

Activity group	SFGB debt advice levy payable		
A.2 Home finance providers and administrators	Band width (£million of secured debt) >0	Fee (£/£m or part £m of secured debt) 22.12	<u>Additional fee (£/£m or part £m of secured debt)</u> 4.965
CC.3 Consumer credit lending	Band width (£million of value of lending) >0 (Note 1)	Fee (£/£m or part £m of value of lending) 122.53	<u>Additional fee (£/£m or part £m of value of lending)</u> 27.51
Notes			
(1) <i>Credit unions and community finance organisations</i> do not pay any <i>SFGB debt advice levy</i> on the first £2,000,000 of value of lending.			
(2) <u>The additional fee in column 4 is charged in addition to the fee in column 3.</u>			

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7B The DA levy

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7B DA levy for the period from 1 April 2020 to 31 March 2021

Annex
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Part 4			
This table shows the tariff rates applicable to each of the fee-blocks set out in Part 1.			
Activity group	DA levy payable		
A.2 Home finance providers and administrators	Band width (£million of secured debt) >0	Fee (£/£m or part £m of secured debt) 3.294	<u>Additional fee (£/£m or part £m of secured debt)</u> <u>0.73</u>
CC.3 Consumer credit lending	Band width (£million of value of lending) >0 (Note 1)	Fee (£/£m or part £m of value of lending) 18.25	<u>Additional fee (£/£m or part £m of value of lending)</u> <u>4.042</u>
<p>Notes:</p> <p>(1) <i>Credit unions and community finance organisations</i> do not pay any <i>DA levy</i> on the first £2,000,000 of value of lending.</p> <p>(2) <u>The additional fee in column 4 must be paid in addition to the fee in column 3.</u></p>			

