Company name

Address

20 March 2019

**Dear Sir/Madam**

**Act now – what happens if you do not register for temporary permission by 31 March 2019**

On 1 April 2019, the Financial Conduct Authority (FCA) will become the regulator of claims management companies (CMCs) in England, Wales and Scotland. As part of that, any company which carries on regulated claims management activities must be authorised by the FCA unless it benefits from one or more of the exclusions set out in the relevant legislation[[1]](#footnote-1). From 1 April, it will be an offence for an unauthorised firm to carry on regulated claims management activities.

Our records show that, as of midnight 17 March, you had not yet registered your firm for temporary permission with the FCA. **If you want** **to continue operating legally as a claims management company from 1 April 2019 and you do not benefit from an exclusion, you must register for temporary permission by 31 March 2019.** This allows your firm to continue trading while you go through our application process for full authorisation. Registering for temporary permission is simple; over 600 CMCs already have.

**If you don’t register by the end of March, you must stop regulated claims management activities**. If you continue carrying on regulated claims management activity without authorisation, you will face potential enforcement action through the civil courts or prosecution through the criminal courts for unlawful activity.

If you aren’t planning to register for temporary permission and do not benefit from an exclusion, you will need to take steps to ensure that you are not carrying on regulated claims management activities after 1 April 2019. As part of that, the FCA would expect you to contact your customers before 31 March 2019 and inform them that you will cease CMC activity on 1 April 2019, that you will no longer be able to act for them in relation to their claim, and that you are thereby terminating your contract with them.

The FCA also expects you to take the following steps before 31 March 2019:

* Send to the customer all information, documents and data relating to their claim so that they can continue the claim by other means;
* Return all client monies to the customer; and
* Contact the respondent and inform them that you will no longer be representing the customer.

We would also encourage you to inform customers of any possible fees arising under the contract, including any potential consequences if the customer instructs another CMC.

We recognise that your right to any fees will depend on the particular terms and conditions of your contract with the customer. Such contractual terms must be fair and transparent in compliance with the Consumer Rights Act 2015 (CRA). Contracts entered into before 1 October 2015 must be fair and written in plain, intelligible language in compliance with the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs). Where your fees are based on a portion of the compensation recovered and you stop representing a customer before the claim is concluded (i.e. because the firm has chosen to stop carrying on claims management activities and thereby terminated the contract), the FCA would not expect you to claim the fee from the customer unless you are legally entitled to do so. In such cases the contractual terms relating to fees must comply with the CRA (or where relevant the UTCCRs) taking into account the other terms of the contract including any statement about a ‘no-win, no-fee’ arrangement.

If you are transferring your book to another claims management company, you should ensure that you obtain any necessary consents from your customers. If you are not planning to transfer your book to another claims management company, it is important to consider the needs of your customers, particularly vulnerable customers. This includes making your existing customers aware of their options for continuing their claim.

If you fail to undertake the above steps before 1 April 2019, you risk continuing to carry out regulated claims management activity without authorisation from the FCA.

You can find more information at fca.org.uk/claims-management. You can also call us on 0800 029 3678if you have any questions.

If you have registered for temporary permission since 17 March, you can disregard this letter.

Yours faithfully

Rob Gruppetta

Head of Claims Management Companies Department

1. See articles 89F-89W of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 [↑](#footnote-ref-1)