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[by email]

14 December 2017

Our Ref: FOI5448

Dear

**Freedom of Information: Right to know request**

Thank you for your request under the Freedom of Information Act 2000 (the Act), for information about the cost of investigations, that had an outcome of "no action", to the FCA. Please see Annex A for full details of your request.

Before I respond to your request I would like to explain that the information provided here should be seen in the overall context of FCA enforcement trends.

The most significant trend in the last year has been an approximate 75% increase in the number of investigations we have commenced. This is mainly as a result of three factors: more investigations into capital market disclosures; the extension in scope of the reporting regime for firms brought about by the Market Abuse Regime which has given the FCA a richer and more varied market picture; and the change in the FCA's approach when deciding whether to open an investigation.

Of significance, in November 2015 the HBOS Report written by Andrew Green QC reviewed the reasonableness of the FSA's investigations into HBOS. One finding was that the then FSA did not conduct investigations into the failure of HBOS when it could have because there was a view that the FSA was unlikely to win subsequent disciplinary proceedings. The problem with this approach was the difficulty in accurately evaluating the prospects of success in disciplinary proceedings before an investigation had even begun. This approach, therefore, had a tendency to discourage the FSA from starting investigations even though the threshold test for investigating was met and even though the public importance of investigating was high. This prompted us to rethink the starting point for our investigations.

Following our acceptance of the recommendations in the HBOS report, our general approach is therefore now to investigate where we suspect serious misconduct may have occurred.

An investigation, of course, is a fact-finding exercise. We do not pre-determine the guilt of a firm or individual under investigation. It is therefore to be expected that there will be some investigations that result in an enforcement outcome, and others that do not.

Your request has now been considered and our response is below.

## FCA Restricted

As we explained in our emails of 21 November 2017, there have been 108 investigations between 1 January and 26 October 2017 that had an outcome of "no action". The cost to the FCA of these investigations is £794,779.03. By cost to the FCA, we mean the amount spent by the FCA on external costs (such as external contractors, counsel, experts, professional services). The figure given therefore excludes internal staff costs to the FCA.

The external costs of these investigations can be broken down by month as follows:

<b>A: Month</b>	<b>B: Closed with no action</b>	<b>External Cost</b>
Jan-17	8	£0.00
Feb-17	16	£20,871.94
Mar-17	11	£217,648.49
Apr-17	4	£51,040.74
May-17	4	£15,901.46
Jun-17	18	£226,950.00
Jul-17	18	£9,425.26
Aug-17	9	£238,150.40
Sep-17	15	£14,304.00
Oct-17	5	£486.75
<b>Total</b>	<b>108</b>	<b>£794,779.03</b>

FCA Restricted

The number of investigations, which closed between January and October 2017, fall into the following cost bands:

<b>A: Cost Band (excluding internal staff costs)</b>	<b>B: Closed with no action</b>
£0 - £1,000	84
£1,001 - £10,000	14
£10,001 - £50,000	5
£50,001 - £100,000	2
£100,001 - £200,000	3
<i>Total</i>	<i>108</i>

Yours sincerely

**Information Disclosure Team**

**Annex A**

Request received on 21 November 2017 for the cost of 108 investigations, with an outcome of "no action", listed in column B.

<b>A: Month</b>	<b>B: Closed with no action</b>	<b>C: Closed with an outcome</b>	<b>D: Overall investigations in total</b>
Jan-17	8	3	<b>11</b>
Feb-17	16	4	<b>20</b>
Mar-17	11	4	<b>15</b>
Apr-17	4	2	<b>6</b>
May-17	4	1	<b>5</b>
Jun-17	18	12	<b>30</b>
Jul-17	18	0	<b>18</b>
Aug-17	9	5	<b>14</b>
Sep-17	15	0	<b>15</b>
Oct-17	5	0	<b>5</b>
<i>Total:</i>	<i>108</i>	<i>31</i>	<i><b>139</b></i>