

24 October 2019

Our Ref: FOI6790

Freedom of Information: Right to know request

Thank you for your request under the Freedom of Information Act 2000 ("the Act"), dated 27 September 2019, for the following information:

- 1. How many CMCs [Claims Management Companies] were authorised by the MoJ [Ministry of Justice] at the end of March 2019 when the FCA took over as industry regulator.*
- 2. How many of those CMCs applied for temporary permission?*
- 3. How many CMCs have completed the Authorisation process as at 26.9.19?*
- 4. How many have surrendered their temporary permission or had it revoked by the FCA and therefore exited the market and ceased trading since April 1st 2019?*
- 5. Does the FCA believe the CMC industry and the self-financing regulatory regime model can withstand the number and rate of exits from the market?*

Please note that, in line with our policy and guidance produced by the Ministry of Justice, question 5 of your request was not dealt with under the formal FOIA regime. This is because this point is not a request for 'recorded information'; instead, you have asked us to provide an answer or explanation to the question you posed, which we have therefore treated as "routine correspondence".

Please see page 6 at this [link](#) for further information.

Turning now to your request, we can confirm we hold the information you are seeking, which is set out below:

1. A total of 1,201 firms were authorised by the Claims Management Regulator (CMR) at the end of March 2019.
2. The FCA received 973 applications; 953 of which were approved for temporary permission (as of 10 April 2019).
3. As at 26 September 2019, a total of 36 firms have been authorised to carry on claims management activities.
4. A total of 197 firms who had registered for temporary permission to carry out claims management activities did not apply for full authorisation by the deadline, so their temporary permission has lapsed.

Nine firms with temporary permission have since withdrawn their application for authorisation, and their temporary permission has since lapsed.

As at 26 September 2019, no CMC firms had their permission revoked.

5. We have published information relevant to this question in our [Policy Statement 18/23](#) on FCA fees, which also included estimates of the number of firms that may remain in the market, cost recovery rates and fee bands for firms by size. In the document, we confirmed that all CMCs that registered for temporary permission would pay their fees upfront to help offset the costs of establishing regulation and avoid those leaving the market placing a burden on the remaining firms.

We were clear in the Policy Statement that predicting the final number of firms remaining will be difficult until the end of the temporary permission regime, when we will know how many firms sought authorisation. More firms registered for temporary permission than we originally estimated - 953 firms registered for temporary permission and 750 applied for full authorisation by the deadline. We are currently processing those applications and cannot predict the final number that will be authorised (though it is worth noting that a smaller sector will cost less to regulate).

We did not predict full cost recovery in the Policy Statement, as our original scenario indicated that we might expect to recover between 42% and 58% of our costs in the first year. We will not reduce or increase the fees CMCs pay in the first year if more, or fewer, firms register for temporary permission. We will adjust fees in later years as necessary.

If you are unhappy with the decision made in relation to your request, you have the right to request an internal review. If you wish to exercise this right you should contact us within 40 working days of the date of this response.

If you are not content with the outcome of the internal review, you also have a right of appeal to the Information Commissioner at Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone: 01625 545 700. Website: www.ico.org.uk

Yours sincerely

Information Disclosure Team