

# Handbook Notice No 90

July 2021

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# 1 Overview

## Legislative changes

- 1.1 On 24 June 2021, the Board of the Financial Conduct Authority (FCA) made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP6/21</a>	FCA Standards Instrument: The Technical Standards (Bilateral Margining) Instrument 2021	FCA 2021/21	30/06/2021
<a href="#">CP21/8</a>	Periodic Fees (2021/2022) and Other Fees Instrument 2021	FCA 2021/22	01/07/2021
<a href="#">CP21/8</a>	Fees (Miscellaneous Amendments) (No 16) Instrument 2021	FCA 2021/23	01/07/2021

- 1.2 On 24 June 2021, the Board of the FCA consented to the making of the rules for the voluntary jurisdiction and fixing and variation of the standard terms by the Financial Ombudsman Service (FOS). On 22 June 2021, the Board of the FOS made the relevant changes to the FCA Handbook in the instrument listed below, subject to the consent and approval of the FCA.

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP21/4</a>	Funeral Plans Instrument 2021	FCA 2021/26 FOS 2021/4	29/07/2022

- 1.3 On 22 July 2021, the Board of the FCA made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP21/8</a>	Fees (Pre-Paid Funeral Plans) Instrument 2021	FCA 2021/27	01/09/2021
<a href="#">CP21/16</a>	Fees and Decision-Making (Cancellation of Permission) Instrument 2021	FCA 2021/28	23/07/2021

CP	Title of instrument	Instrument No	Changes effective
<a href="#">CP20/23</a>	Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity) Instrument 2021	FCA 2021/30	01/08/2021
<a href="#">CP21/16</a>	Consumer Credit (High-Cost Short-Term Credit Refinancing and Peer-to-Peer Lending Information sheets) Instrument 2021	FCA 2021/31	25/10/2021

## Summary of changes

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- 1.4 The legislative changes referred to above are listed and briefly described in Chapter 2 of this Notice.

## Feedback on responses to consultations

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- 1.5 Consultation feedback is published in Chapter 3 of this Notice or in separate Policy Statements.

## FCA Board dates for 2021

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- 1.6 The table below lists forthcoming FCA board meetings. These dates are subject to change without prior notice.

FCA board meetings		
September	30	2021
October	21	2021
November	25	2021
December	16	2021

## 2 Summary of changes

- 2.1 This Handbook Notice describes the changes to the FCA Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 24 June 2021 and 22 July 2021. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the Prudential Regulation Authority (PRA) please see [www.bankofengland.co.uk/pru/Pages/publications/default.aspx](http://www.bankofengland.co.uk/pru/Pages/publications/default.aspx).

### ***FCA Standards Instrument: The Technical Standards (Bilateral Margining) Instrument 2021***

- 2.2 Following consultation in [CP6/21](#), the FCA Board has made changes to the technical standards under the European Market Infrastructure Regulation (EMIR). The implementation of our policy aims to provide legal clarity to UK firms on the status of these requirements under the onshored regime and to align the UK with other major jurisdictions in implementing the global recommendations of the Basel Committee on Banking Supervision and Board of International Organization of Securities Commissions.
- 2.3 This instrument came into force on 30 June 2021. Feedback has been published in a separate [Policy Statement](#).

### ***Periodic Fees (2021/2022) and Other Fees Instrument 2021***

- 2.4 Following consultation in [CP21/8](#), the FCA Board has made changes to the Handbook sections listed below:
- FEES 4.2, 4 Annex 1AR, 4 Annex 2AR, 4 Annex 4R, 4 Annex 5R, 4 Annex 11R, 4 Annex 14R, 4 Annex 15R, 4 Annex 16R, 4A Annex 1R, 4A Annex 2R, 5.1, 5.3, 5.4, 5 Annex 1R, 7A Annex 1R, 7A Annex 2R, 7A Annex 3R, 7B Annex 1R, 7C Annex 1R, 7C Annex 3R, 7D Annex 1R, 13 Annex 1R, 13A Annex 1R, App 2 Annex 2, App 3.1**
- 2.5 In summary, this instrument raises fees to recover the FCA's 2021/22 funding requirement, as well as the funding requirements for the Financial Ombudsman Service, the Department for Work and Pensions and HM Treasury.
- 2.6 This instrument came into force on 1 July 2021. Feedback has been published in a separate [Policy Statement](#).

### ***Fees (Miscellaneous Amendments) (No 16) Instrument 2021***

- 2.7 Following consultation in [CP21/8](#), the FCA Board has made changes to the Handbook sections listed below:

**FEES 3.2, 3 Annex 1R, 4.1, 4 Annex 11R**

- 2.8 This instrument adds the following new material to the FCA Handbook:

**FEES TP 23**

- 2.9 In summary, this instrument clarifies an ambiguity in the FCA's existing rules which might have resulted in an overpayment of periodic fees in 2021/22.
- 2.10 Further, this instrument will ensure that peer-to-peer lenders make more proportionate contributions towards the recovery of our processing costs.
- 2.11 This instrument came into force on 1 July 2021. Feedback has been published in a separate [Policy Statement](#).

### ***Funeral Plans Instrument 2021***

- 2.12 Following consultation in [CP21/4](#), the FCA Board has made changes to the Handbook sections listed below:

**Glossary**

**PRIN 1.2, 3.2, 3.4**

**SYSC 1 Annex 1, 4.4, 10.1, 19F.3, 23.2, 23 Annex 1, 27.8, 28A.1, 28A.2, 28A.3, TP7.1**

**COND 2.5**

**TC 2.1, App 1.1, Schedule 1**

**GEN 2.3**

**FEES 5 Annex 1R, 6.1, 6 Annex 2, 6 Annex 3A**

**COBS 4.1**

**PROD 1.7**

**SUP 10A.10, 10C Annex 1, 12.2, 12.7, 16.1, 16.12, TP 11A**

**DISP 1.1, 1.10, 1.10A, 1 Annex 1B, 1 Annex 1AC, 2.1, 2.3, 2.5, 2.6, 2.7, 2 Annex 1, 3.6, 3.7, TP 1.1**

**COMP 1.3, 5.2, 5.9, 8.2, 9.2, 10.2, 11.2, 12.3, 12.4, TP 1.1**

**PERG 2.3, 2.4, 2.6, 2.7, 2.8, 2.9, 2.10, 2 Annex 2, 8.1, 8.7, 8.16, 8.36, 16.2**

- 2.13 This instrument adds the following new material to the FCA Handbook:

**PROD 7.1, 7.2, 7.3, 7.4, TP 2**

**SUP 16 Annex 50A, 16 Annex 50B**

**FPCOB**

- 2.14 In summary, this instrument aims to protect consumers that have, or will in future take out, a pre-paid funeral plan product.
- 2.15 This instrument comes into force on 29 July 2022. Feedback has been published in a separate [Policy Statement](#).

### ***Fees (Pre-Paid Funeral Plan) Instrument 2021***

- 2.16 Following consultation in [CP21/8](#), the FCA Board has made changes to the Handbook sections listed below:
- FEES 3.2, 3 Annex 1R, 4.2, 4 Annex 1AR, 4 Annex 2AR, 4 Annex 11AR, 4 Annex 13G**
- 2.17 In summary, this instrument sets the authorisation fees and structure of periodic fees for pre-paid funeral plan providers and intermediaries. These are being brought into scope of FCA regulation from July 2022 through amendments to the Regulated Activities Order (RAO). The gateway for applications will open on 1 September 2021.
- 2.18 This instrument comes into force on 1 September 2021. Feedback has been published in chapter 3 of this Notice.

### ***Fees and Decision-Making (Cancellation of Permission) Instrument 2021***

- 2.19 Following consultation in [CP21/16](#), the FCA Board has made changes to the FCA Handbook sections listed below:
- FEES 4.3, 4.4, 4A.2, 5.1, 5.3, 5.4, 5.7, 5.9, 6.2, 6.3, 6.5, 6.7, 7A.2, 7A.3, 7A.4, 7B.2, 7C.2, 7C.3, 7C.4, 7D.2, 13.2, 13A.2**  
**DEPP 2 Annex 1**
- 2.20 In summary, this instrument allows the FCA to use the new power in Schedule 6A of FSMA.
- 2.21 This instrument comes into force on 23 July 2021. Feedback has been published in chapter 3 of this Notice.

### ***Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity) Instrument 2021***

- 2.22 Following consultation in [CP20/23](#), the FCA Board has made changes to the Handbook sections listed below:
- Glossary**  
**MIPRU 3.2, TP 1.1**  
**IPRU(INV) 9.2, 13.1, TP 1**

- 2.23 In summary, this instrument amends the minimum levels of professional indemnity insurance (PII) cover required for insurance intermediaries. The new minimum levels of PII cover are as follows:
- For a single claim against the firm, the limit was increased from €1,250,000 to €1,300,380.
  - For the total aggregate of claims against a firm, the limit was increased from €1,850,000 to €1,924,560.
- 2.24 The changes are necessary to ensure that consumers will not see the real value of any claims above the indemnity limits being eroded by inflation over time. They are also consistent with Insurance Distribution Directive (IDD)-revised minimum levels of PII cover.
- 2.25 The revised minimum levels of cover will also be relevant for those firms that use a comparable guarantee as an alternative to a PII policy. As the comparable guarantee must contain terms at least equal to those that should be incorporated into a PII policy then, from 1 August 2021, any such comparable guarantee should reflect the increased minimum indemnity limits.
- 2.26 We have included a transitional provision to provide firms with additional time to bring their existing PII policies or comparable guarantees into line with the new requirements. The new requirements apply to any PII policy or guarantee commenced, renewed or extended with effect from or after 1 August 2021. Non-annual arrangements must also be aligned with the new requirements before 1 August 2022.
- 2.27 This instrument comes into force on 1 August 2021. Feedback has been published in chapter 3 of this Notice.

***Consumer Credit (High-Cost Short-Term Credit Refinancing and Peer-to-Peer Lending Information sheets) Instrument 2021***

- 2.28 Following consultation in [CP21/16](#), the FCA Board has made changes to the Handbook sections listed below:

**CONC 6.7 and 7.17**

- 2.29 In summary, this instrument makes administrative changes to the Handbook to rules in the Consumer Credit sourcebook (CONC) that draw up 3 information sheets for customers upon refinancing in high-cost short-term credit (HCSTC) and upon getting into arrears in loan agreements entered into on peer to-peer (P2P) lending platforms.
- 2.30 The changes to these CONC rules are consequential to our publication of new versions of the 2 information sheets which lenders under regulated credit agreements must send to customers in arrears or

default (one for arrears, and another for default) pursuant to section 86A of the Consumer Credit Act 1974. The CONC rules use the statutory arrears sheet as the basis for drawing up the 3 HCSTC and P2P information sheets and will no longer work properly once the new arrears sheet comes into force on 25 October 2021. It is therefore necessary to make minor changes to CONC 6.7 and 7.17.

- 2.31 We received no feedback in relation to the proposals consulted on in CP21/16. Accordingly, the changes to CONC have been made as consulted on.
- 2.32 This instrument comes into force on 25 October 2021. Feedback has been published in in chapter 3 of this Handbook Notice.



## 3 Consultation feedback

- 3.1 This chapter provides feedback on consultations that will not have a separate policy statement published by the FCA.

### **CP21/8: Fees (Pre-Paid Funeral Plans) Instrument 2021**

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#### Background

- 3.2 In chapter 8 of [CP21/8](#), we consulted on authorisation fees and the structure of periodic fees for pre-paid funeral plan (FP) providers and intermediaries. These firms are being brought into the scope of FCA regulation from July 2022 through amendments to the RAO.

#### Authorisation fees

- 3.3 The proposals we consulted on were:

- Standard charges for authorisation:
  - Intermediaries (ie, firms which are carrying out FP distribution): £2,500 – equivalent to independent financial advisers;
  - Administrators (ie, providers restricted to carrying out FP contracts, but not to enter into contracts) – £2,500;
  - Providers (ie, these both carry out and enter into FP contracts): £10,000 – equivalent to mortgage providers and portfolio managers.

Later this year, we will be introducing a new structure of authorisation fees based on 10 pricing categories. These are based on proposals set out in CP20/22 and we confirmed our position in chapter 7 of CP21/8. £2,500 will be a Category 4 charge and £10,000 a Category 6 charge. The FP charges will be integrated into the new structure once it has been implemented.

- Uplift for late applications: based on past experience of similar scope changes, we were concerned that most firms would leave their applications to the last moment, jeopardising our capacity to determine their applications on time. We estimated that expanding our capacity to deal with late applications would increase our costs by up to 40%, and so we proposed to uplift the charges by 40% – to £3,500 and £14,000, respectively – for firms that apply late. The enhanced charges would apply to firms which are trading when the

gateway opens on 1 September 2021 and submit their applications after 1 November 2021. New applicants would not be affected.

- Variations of permission (VoPs): firms pay an administrative charge (currently £250 – a £500 Category 2 charge under the new structure) if a VoP takes place within the same fee-block or 50% of the standard application fee if it moves them into a new fee-block. All FP firms will be in a single fee-block so will not move blocks even if, for example, an intermediary takes on the higher risk permission to become a provider. In other markets whose activities fall within a single fee-block – notably, consumer credit and claims management – we apply the 50% rule to VoPs for the higher risk activities, reserving the administrative fee for the lower risk ones. Following this model, we proposed that an intermediary or administrator applying for the full FP provider permission would pay £5,000, while an intermediary applying to be an administrator would pay £1,250. Other FP VoPs would pay the standard charge of £500.

#### 3.4 Our consultation question was:

Do you have any comments on our proposed application fees for authorisation?

#### Feedback

- 3.5 We received 6 responses. Two supported our proposals. The others stressed that our application fees were too high and would act as a disincentive for smaller firms. According to the feedback, the fees constituted barriers to market entry and would discourage competition. In particular, the £10,000 application fee might drive small providers (eg, independent funeral directors, some of whom have incomes from FP business of around £100,000) out of the market. This would reduce consumer choice and weaken competition. As such, it was suggested that there should be lower charges for smaller, less complex, firms. Some respondents raised concerns that the 40% uplift for late applications was excessive.

#### Our response

- 3.6 We believe that our fees are not in themselves significant barriers to entry in relation to the wider costs of compliance and setting up a new business. Authorisation by the FCA gives access to a regulated market in which consumers have confidence. This has a commercial value. We have set the fees below our estimates of the resources required to process applications.
- 3.7 Depending on the complexity of the application, we expect to recover between 60% to 90% of our processing costs. If firms apply late, we will have to allocate additional resources to enable us to determine their

applications within a shorter period and our estimate is that we would have to uplift our resources by around 40%. If all firms apply in time, we will not have to deploy those additional resources, and they will not pay the enhanced fee.

- 3.8 Our experience in other sectors is that smaller firms are not necessarily less complex to evaluate and that they can present unusual business models which may add to the complexity. If a firm is unable to absorb a one-off payment of £10,000, that calls into question the long-term viability of its business model, which is significant in terms of its ability to meet the ongoing capital requirements of the regulatory regime.
- 3.9 We do not agree that there is a justification for reducing our fee to support firms which may not have the financial capacity to operate in a regulated market. We are not recovering the full cost of processing applications, which means that there is cross-subsidisation funded by future periodic fees from successful applicants. We do not believe it would be fair to further increase this cross-subsidy, and due to the confines of the underlying legislation, are not in a position to introduce a differentiated regulatory regime for smaller providers.

#### Periodic fees

- 3.10 We recover our ongoing costs and our project set-up costs through annual periodic fees. Our requirements for periodic fees are in chapter 4 of the FEES manual. We distribute cost recovery through fee-blocks which group together firms with broadly similar permissions. We proposed to put all FP firms into a single fee-block: A.23. We base the fees on a metric (known as a 'tariff base') which is intended to distribute the costs fairly between the fee-payers according to their size.
- 3.11 We proposed to base FP fees on income from the regulated activities, which is the most common measure. Firms with incomes up to £100,000 pay only a minimum fee in fee-block A.0, which is currently set at £1,151. Larger firms pay a variable rate fee on their incomes above £100,000, on top of the minimum charge and an uplift in fee-block AP.0 (currently £0.1055) to contribute towards their prudential regulation. We summarised the key features of the periodic fees framework and asked for comments on any special features relating to FP income which we should take into account in our standard definition of income and associated guidance.
- 3.12 Since the regulatory regime starts in July 2022, FP firms will not pay periodic fees until 2022/23, so the consultation in CP21/8 set the structure for periodic fees but not the rates.
- 3.13 CP21/8 included proposals to impose an annual charge of £250 on each appointed representative (AR) for which a principal firm is responsible

from 2021/22. Since FP firms will not be paying periodic fees until following year, they were not formally involved in this consultation, but we drew their attention to the proposal since it would affect them in the future.

### Feedback

3.14 The question we asked was:

Do you have any comments on our proposals for variable periodic fees?

3.15 We received no comments on the structure of periodic fees or the definition of income, but 2 respondents criticised our lack of transparency in not giving firms an indicative fee rate to help with their business planning. One respondent asked whether fees and other costs associated with preparing for authorisation could be taken from a trust when the plan is trust-backed.

3.16 Two respondents took the opportunity to express their dissatisfaction with the new charge proposed for ARs, with one arguing that the additional costs would further contribute towards the departure of independent local funeral directors from the market.

### Our response

3.17 We would have quoted an indicative periodic fee rate to help firms with their business planning, but the costs of the project were under review when we published our CP and so any figure would have been misleading. We now estimate the project costs at £7.9m, along with c.£1m per year of ongoing regulatory costs. If we were to spread our project costs over 10 years (as we did for consumer credit), after deducting the revenue from application fees then, on the basis of our current understanding of the incomes of FP firms, we estimate that the fee rate would be approximately £15 per £1,000 on regulated income above £100,000. We will consult on the substantive rate for 2022/23 as part of our CP on FCA fee rates in April 2022.

3.18 Although we received no comments on the definition of 'income' during the current consultation, some respondents to our consultation on our approach to FP regulation in March 2021 asked whether their fees would be based on their total income or only the income from FP activity. Now that we have published our fees proposals, we hope the position is clear, but we are taking the opportunity to confirm that FP firms should report to us only the income that they derive from their regulated FP activity. For most, this will be lower than the revenue from their main business of, for example, acting as a funeral director.

- 3.19 We were surprised by the suggestion that FP firms might pay FCA fees out of trusts set up to back funeral plans. In our view, that would be an inappropriate use of trust funds.
- 3.20 We have noted the objections from 2 respondents to the proposed charge on ARs. We have reviewed the responses to this consultation in PS21/07 and have decided to proceed with the charge for 2021/22, although with a lower rate of £75 for introducer ARs. We will consult in our fees policy CP in October or November 2021 whether to extend this charge to FP firms when they start paying fees from 2022/23.

#### Cost benefit analysis and compatibility statement

- 3.21 Section 138I of FSMA exempts the FCA from the requirement to carry out and publish a cost benefit analysis regarding proposals for rules regarding FCA fees and levies. The compatibility statement we published in CP21/8 remains unchanged.

#### Equality and diversity issues

- 3.22 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.

## **CP21/16: Fees and Decision-Making (Cancellation of Permission) Instrument 2021**

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### Background

- 3.23 In Chapter 5 ('Amendments to DEPP and FEES – New power to vary or cancel permission') of Quarterly Consultation Paper No 32 (CP21/16), we consulted on amendments to the Decision Procedure and Penalties manual (DEPP) and the Fees manual (FEES) relating to the power we have been given to vary or cancel permissions to conduct FCA-regulated activities held by firms authorised by the FCA under Part 4A of the Financial Services and Markets Act 2000 (FSMA) or deemed to be so authorised under the temporary permissions and supervised run-off regimes.
- 3.24 We were granted this new power by the Financial Services Act 2021 (FS Act), which has relevantly added a new Schedule 6A to FSMA. Schedule 6A was commenced, together with associated FS Act amendments to FSMA, by HM Treasury regulations from 1 July 2021 (S.I. 2021 No. 739 (C.35)).

- 3.25 The new power will allow the FCA to act more quickly than previously to cancel or vary such a permission where we consider that the relevant firm is no longer carrying on any regulated activities to which its permission relates, and to reflect this cancellation or variation on the Financial Services Register. Such firms will, however, be able to avoid such a result by responding as we direct to the notices that we are obliged to give them under Schedule 6A, warning of our intention to cancel or vary.
- 3.26 As we noted in CP21/16, we intend to use the new power in our 'use it or lose it' exercise resulting from the Gloster Review and to consult in due course on further Handbook amendments relating to the new power.

### Summary of proposals

- 3.27 Where we use the new power to vary or cancel a firm's permission, that firm has a right under Schedule 6A to apply to us to have the variation or cancellation retrospectively annulled.
- 3.28 The amendment to DEPP on which we consulted in CP21/16 specifies, in accordance with section 395 of FSMA, that our Regulatory Decisions Committee will be our decision-maker if we propose, and then decide, to refuse to so annul.
- 3.29 The amendments to FEES on which we consulted in CP21/16 address, in relation to a number of fees and levies payable to the FCA, the retrospective nature of the annulment – specifically that it resurrects obligations that did not have to be complied with by the firm in question while the variation or cancellation was in place.
- 3.30 The amendments to FEES provide, for example, that deadlines for the provision by the firm of information to the FCA relating to various fees and levies or for their payment by the firm, which would have applied to the firm but for the variation or cancellation, are postponed mainly to the date on which the annulment takes effect, to avoid the firm being in breach of these obligations as a result of the annulment.
- 3.31 We asked in Chapter 5 of CP21/16 whether there were any comments on our proposal to amend DEPP and FEES.

### Feedback

- 3.32 All of the material responses to Chapter 5 of CP21/16 in which concern was expressed appear to have been based on a misunderstanding about the scope of the new power.

- 3.33 The new power in Schedule 6A to cancel or vary is available to the FCA only where it appears to us that the firm in question is conducting no regulated activities whatsoever within the scope of its permission.
- 3.34 It is not the case, as appears to have been understood by most respondents, that the FCA can use the new power on the basis that the firm is not conducting one of those activities while continuing to conduct others.

#### Our response

- 3.35 We do not consider it necessary to modify the amendments to FEES or DEPP on which we consulted.

#### Cost benefit analysis and compatibility statement

- 3.36 We continue to consider, as stated in Chapter 5 of CP21/16, that our proposed Handbook changes, which have not changed since we consulted on them, are compatible with our objectives and applicable regulatory principles. We received no comments on that compatibility statement in CP21/16. We were and are not required by FSMA or otherwise to conduct a cost benefit analysis in relation to those proposals.

#### Equality and diversity

- 3.37 We continue to believe that these Handbook changes will have no adverse impact on any of the groups with protected characteristics under the Equality Act 2010. No concerns were raised in this regard during consultation.

## **CP20/23: Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity) Instrument 2021**

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### Background

- 3.38 In December 2020 we consulted on amendments to our Handbook regarding the minimum levels of professional indemnity insurance (PII) cover required for insurance intermediaries. These amendments stemmed from the Insurance Distribution Directive (IDD).

### Summary of proposals

- 3.39 We proposed to amend the minimum levels of PII cover required for insurance intermediaries. We proposed the new minimum level of PII would be as follows:



- For a single claim against the firm, the limit would increase from €1,250,000 to €1,300,380.
- For the total aggregate of claims against a firm, the limit would increase from €1,850,000 to €1,924,560.

3.40 In CP20/23, we explained that these changes were necessary to ensure that consumers will not see the real value of any claims above the indemnity limits being eroded by inflation over time. They are also consistent with IDD-revised minimum levels of PII cover. The revised minimum levels of cover will also be relevant for those firms that use a comparable guarantee as an alternative to a PII policy. As the comparable guarantee must contain terms at least equal to those that should be incorporated into a PII policy then, from 1 August 2021, any such comparable guarantee should reflect the increased minimum indemnity limits.

#### Feedback

3.41 We received one response to our consultation. The response asked us to clarify the application and timing of transitional provisions to our proposed amendments to MIPRU 3.2.7R, IPRU(INV) 9.2.5R and IPRU(INV) 13.1.10R.

#### Our response

3.42 We responded to the firm directly and confirmed that the transitional provisions apply to both in force annual and non-annual PII policies (for further details on the transitional provisions, see Paragraph 2.26). We also confirmed the timing of the proposed changes to the rules coming into force.

#### Cost benefit analysis and compatibility statement

3.43 We do not believe that changes to the minimum limits of indemnity warrant a detailed cost and benefit analysis. We are required to amend references to PII limits in our Handbook. All firms within the scope of the IDD would be affected by the proposed changes to PII minimum limits.

3.44 We expect the impact of this change to be limited. This instrument represents only a small change to PII minimum limits: a 4% increase for the aggregate limit of the indemnity and a 4% increase for a single claim. Firms also typically hold PII cover above the minimum limit because of other requirements in MIPRU 3 and exchange rate buffers.

3.45 Amending the minimum levels of PII cover in accordance with the regulation is expected to bring benefits as firms will have greater insurance protection for their activities where such activities could expose the firm to liabilities. Consumers will benefit as firms will be in a better position to pay redress liabilities where appropriate.



- 3.46 The amendments to PII cover are primarily intended to advance the FCA's consumer protection objective and to ensure that the relevant markets function well.

#### Equality and diversity

- 3.47 Following consultation and careful consideration, we do not believe that this change will adversely impact any group with protected characteristics under the Equality Act 2010.

### **CP21/16: Consumer Credit (High-Cost Short-Term Credit Refinancing and Peer-to-Peer Lending Information sheets) Instrument 2021**

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#### Background

- 3.48 On 24 May 2021 we published new versions of the 2 information sheets which lenders under regulated credit agreements must send to customers in arrears or default (one for arrears, and another for default) pursuant to section 86A of the Consumer Credit Act 1974 (CCA). We did this to provide more targeted and useful help to customers, particularly those with mental wellbeing issues.
- 3.49 As a result of the update to the statutory arrears sheet, we proposed to make minor consequential amendments to rules in the Consumer Credit sourcebook (CONC) that draw up similar sheets tailored for refinancing in high-cost short-term credit (HCSTC) and arrears in peer-to-peer (P2P) lending platforms.
- 3.50 The changes consulted on are summarised at paragraphs 2.27 and 2.28.

#### Feedback

- 3.51 We received no feedback in relation to the proposals consulted on in CP21/16. Accordingly, the changes to CONC have been made as consulted on.

#### Cost benefit analysis and compatibility statement

- 3.52 As we received no feedback to the proposals consulted on in CP21/16 and have made no alterations to our proposals, the cost benefit analysis and compatibility statement included in Chapter 3 of CP21/16 have not changed.

#### Equality and diversity issues

- 3.53 In Chapter 3 of CP21/16, we set out our equality and diversity considerations. We said that we had not identified any adverse impact that the proposals would have on any of the groups with protected characteristics under the Equality Act 2010. Our analysis on equality and diversity has not changed as we received no feedback on this, and we are proceeding with the proposals as set out in Chapter 3 of CP21/16.

## 4 Additional information

### **Making corrections**

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- 4.1 The FCA reserves the right to make correctional or clarificatory amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

### **Publication of Handbook material**

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- 4.2 This Notice is published on the FCA website and is available in hardcopy.
- 4.3 The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date, reference number or module at [www.handbook.fca.org.uk/instrument](http://www.handbook.fca.org.uk/instrument). The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4 The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5 The consolidated text of the Handbook can be found on the FCA's website at [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/). A print version of the Handbook is available from The Stationery Office's shop at [www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/](http://www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/).
- 4.6 Copies of the FCA's consultation papers referred to in this Notice are available on the FCA's website.

## Obligation to publish feedback

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- 4.7 This Notice, and the feedback to which paragraph 1.5 refers, fulfil for the relevant text made by the Board the obligations in sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are: to publish an account of representations received in response to consultation and the FCA's response to them; and to publish (where applicable) details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost benefit analysis and a statement under section 138K(4) of the Act if a proposed altered rule applies to authorised persons which include mutual societies.

## Comments

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- 4.8 We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to [handbookproduction@fca.org.uk](mailto:handbookproduction@fca.org.uk) (or see contact details at the front of this Notice).

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This Handbook Notice describes the changes to the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 24 June 2021 and 22 July 2021.

It also may contain information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

Contact names for the individual modules are listed in the relevant Consultation Papers and Policy Statements referred to in this Notice.

General comments and queries on the Handbook can be addressed to:

Ayesha Dayaji

Tel: 020 7066 0575

Email: [Ayesha.Dayaji@fca.org.uk](mailto:Ayesha.Dayaji@fca.org.uk)

However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Contact Centre:

Tel: 0300 500 0597

Fax: 0207 066 0991

Email: [firm.queries@fca.org.uk](mailto:firm.queries@fca.org.uk)

Post: Contact Centre  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

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