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Rob Muskett  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

3 August 2018

Dear Rob,

## **Financial Services Consumer Panel (FSCP) response to CP18/15 - Claims management: how we propose to regulate claims management companies**

The Panel welcomes the opportunity to respond to this consultation. We have never seen the logic of the FCA regulating claims management companies (CMCs), many of which operate outside of financial services, and are likely to do so more in the future. This means the FCA will need to design regulations that can work across different sectors e.g. healthcare, education, police services.

We support the FCA's overall approach and particularly welcome the proposals on client money. It is also important that CMCs should be subject to the principles for business, so they are held to account for treating customers fairly and communicating clearly with them.

CMCs provide a legitimate service. Many consumers are unable, or choose not to, navigate the complaints process themselves. They should be able to use a CMC to pursue their complaint if they wish. However, it is also important that consumers understand that they could claim for free. We agree that CMCs should have to disclose other options to the consumer, both in a pre-contract summary document, and in all marketing materials.

We welcome the proposals for pre-contract and continuing disclosure. Requiring firms to illustrate their total fees in pounds and pence is important. Research has shown that consumers prefer this, and are more likely to understand pounds and pence than percentages.

However, as the FCA has acknowledged, disclosure alone is not enough. CMCs need to ensure all their communications are clear and easy for consumers to understand.

We particularly welcome the proposals for all calls and electronic communications such as text messages and emails to be recorded and kept for a minimum period. We urge the FCA to ensure it monitors all of these communication channels, and gathers enough data from CMCs to ensure poor conduct is identified as early as possible.

We hope the FCA applies lessons learnt from the consumer credit market when granting temporary permissions and processing re-authorisation applications. We are pleased the FCA has made it clear that the authorisations process is not open-ended. It will be important to identify poor practices and consumer harm quickly. Firms should not see their temporary permission and inclusion in the FCA register as a 'badge' or selling point, if they are not meeting the FCA's Threshold Conditions.

We are pleased that the FCA has specifically highlighted the risk of CMCs 'phoenixing' into new companies following liquidation or insolvency.

Yours sincerely,

Sue Lewis  
Chair, Financial Services Consumer Panel