



Key regulatory issues...

The Insurance
Institute of Ipswich
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Branko Ltd

FCA compliance consultants

- * DIY Manuals
- * Workshops
- * Tailored solutions



**BIBA Compliance
Initiative Partner**



Today...

1. FCA thematic reviews and current hot topics
2. Consumer Credit
3. S166 Skilled Persons Reports
4. Attestations
5. Swinton fine for Approved Persons
6. Conclusions



Learning outcomes?

1. Be clear as to what FCA are focused on and what improvements may be needed
2. Be able to talk about the current hot topics
3. Have a better expectation as to “what good looks like”



Two years then?

- FSA failed - FCA can't fail
- FS sector is vital to the UK
- 26,000 firms then and 73,000 soon
- Consumer Credit a huge issue
- Pensions Freedom 6th April 2015 – a massive challenge
- Advent of new technology and therefore new ways to buy insurance and financial services
- All about trust, clarity and delivery of promises made at point of sale



1. Thematic reviews/hot topics



Thematic reviews/hot topics

- Anti-bribery/corruption
- Complaints *
- Add-on products
- Conduct risk *
- Conflicts of interest and remuneration *
- Delegated authorities
- Commercial claims



Anti-bribery/corruption

- FCA visited 10 wholesale intermediaries
- most of these are not yet adequately managing the bribery and corruption risk
- half of sample firms have not undertaken a business-wide bribery and corruption risk assessment
- lack of a holistic risk assessment
- limited meaningful risk information available to management



Complaints

- Most changes come in July 2016
- Now:-
 - If you currently use an 08 or 09 number and derive an income you need to state this
 - Final response letters need to include a statement on should they change their mind re your response
 - FOS information



Later...

- Informal complaints currently:-
 - No need to include on RMAR
 - Should still investigate, provide a resolution, record it and complete root cause analysis
 - No need to write
 - Easy to resolve/simple issues can be quickly sorted to the benefit of both parties
- New requirements:-
 - Close of business on the third business day
 - Will need to be reported on your RMAR
 - Summary Resolution Communication will be needed



Later...

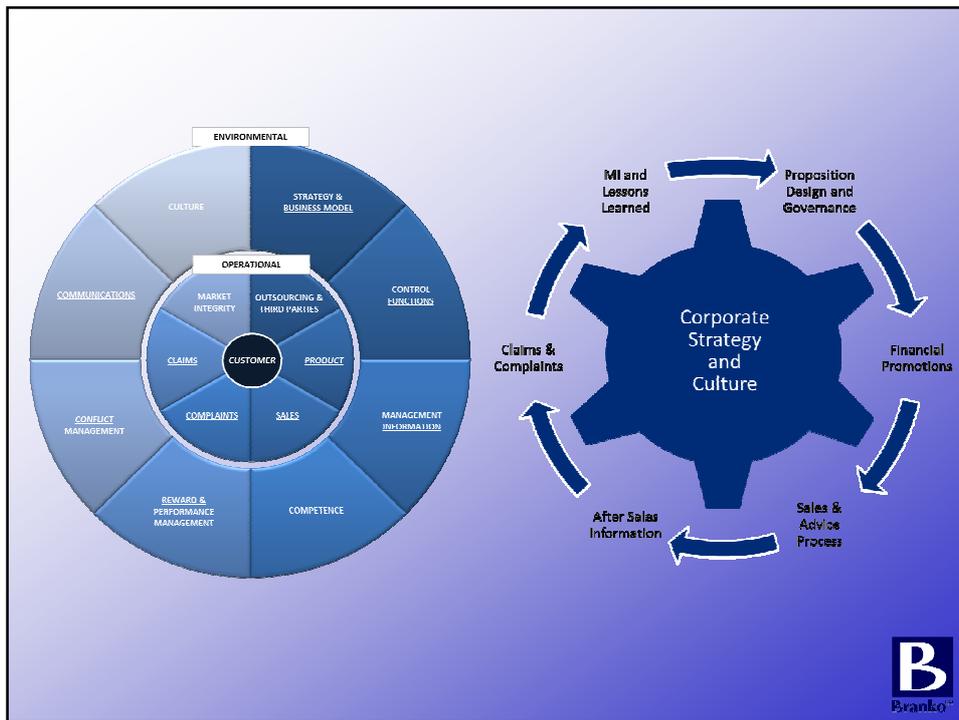
- New Complaints Return:-
 - Cause of complaint
 - For firms that receive <500 a shorter return
- Telephone Number changes:-
 - All post contractual calls must cost no more than a basic rate – 01, 02, 03, 0800, 0808 and mobiles
 - Service charge number not acceptable – 09, 0870, 084, 0871, 0872, 0873 and 0845
- Alternative Dispute Resolution Directive



Conduct Risk – what does the FCA want firms to do then?

1. A properly implemented customer centric strategy, which produces good, sustainable profits;
2. A board-led culture which supports that strategy and good consumer outcomes;
3. Develop products that operate in the interests of customers, and use behavioural techniques to ensure that those customers also understand them;
4. Take a prospective view on the products that they sell, stress-testing and ensuring appropriateness for your customers.





Areas for improvement?

- product design – embed customer outcomes
- TP distribution relationships/anything delegated
- direct operations – pre-sales and the sales process
- post sales handling
- opt in/opt out selling
- auto renewals
- sales incentives
- outsourcing of claims handling
- dual pricing
- admin fee and charges transparency

Conflicts/transparency

- clarity of role (i.e. agent of customer or insurer when business placed under delegated authority)
- add-ons
- segregation of broking and agency functions (so remuneration deals are not known by placing staff)
- clarity of earnings – commission, fees, premium finance revenue, work transfers, over-riders and contingent commission
- conflict prevention better than conflict disclosure
- maintain effective organisational, administrative and control arrangements to manage conflicts and the potential remuneration issues



Add-on products

- FCA report concluded:
 - add-on mechanism has real impact on consumer behaviour
 - insufficient information on alternatives / options
 - point of sale advantage = > poor value and high costs
 - ineffective competition
- FCA proposed remedies:
 - deferred opt-in beyond point of sale
 - tell customer about alternatives / how to shop around
 - ban default opt-out sales
 - price comparison website improvement
 - publish claim ratios



2. Consumer Credit



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FCA review reveals shortcomings in the provision of premium finance for general insurance

Published: 11/05/2015 Last Modified: 11/05/2015

Press release

Consumer Credit

- Car and household
- 13 insurers and 30 brokers

“Consumers should expect clear information about the payment options available to them. Regardless of whether people choose to pay upfront or in instalments, it’s important that they can see exactly what they are signing up for and how much it costs so they can decide whether they are getting a fair deal.”



What is needed?

- If a firm is providing regulated credit or is acting as a credit broker, they are required to:-
 - provide a representative example setting out the interest rate and any fees or charges
 - a representative annual percentage rate (APR)
 - the total amount payable
 - Number of cases where this was either not provided or the example did not include all of the required information, potentially limiting a customer’s ability to make an informed choice about how to pay



What else?

- An adequate explanation of a proposed credit agreement was not always provided sufficiently early in the customer journey to enable customers to make informed decisions
- Firms acting as a credit broker did not always disclose the name of the credit provider or details of their relationship with the firm
- In some cases it was not made clear that a fee would be charged.
- The FCA expects all firms to consider the findings of the review and take action where necessary. It is also following up with individual firms where it found specific examples of failings and poor practice.



Variation of permissions

- Interim permission from FCA providing transitional arrangements from OFT
- 3 month window of opportunity only
- Credit broking is a regulated activity
- If you impose charges can make things difficult
- BIBA Manual up to date with assistance from Coversure – SECCI, TOBA, guidelines, etc



3. S166 Skilled Persons Reports



S166...

- 10 requested from GI brokers
- 56 in personal investments, investment management, securities and futures
- Main areas: client assets, governance, conduct of business and financial crime
- £ VERY EXPENSIVE!!



4. Attestations



What are they?

“When we request an attestation, we do so to gain personal commitment from an approved person at a regulated firm that specific action has been taken or will be taken. The aim of an attestation is to ensure there is clear accountability and a focus from senior management on those specific issues where we would like to see change within firms, often without ongoing regulatory involvement.”



Table 1: Number of attestations by sector and conduct classification for 2014

Sector/Conduct Classification	C1	C2	C3	C4	Total:
Retail	9	0	0	2	11
Wholesale & Investment Management	4	13	4	0	21
General Insurance and Protection	0	6	0	0	6
Long Term Savings & Pensions	2	10	0	1	13
Mortgages & Consumer Lending	0	5	1	2	8
Total:	15	34	5	5	59

Table 2: Number of attestations by quarter and conduct classification for 2014

Categories of use

- notification – changes in emerging risks
- undertaking – of action taken within a given time frame
- self-certification – of risk resolution and mitigation
- verification – risk resolution, mitigation and verification (e.g. by Internal Audit)

5. Swinton fine



Swinton

- The largest FCA fine for insurance broker for aggressive sale of add-ons
 - Three APs fined £928,000 in total
 - banned from similar roles in FS market
 - Swinton fined £7.4m in 2013
 - Previously fined £770k for PPI issues



Swinton

- Emphasis on high sales and increased profit without regard to the impact on customers
- High bonus earning potential for directors – conflict issue
- The three senior executives were responsible for strategy, business plan, development of add-ons, their marketing and there was no recognition of, or reaction to, the risks to customers and resultant detriment by being sold poor value add-ons



6. Conclusions





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Wonga to make major changes to affordability criteria following discussions with the FCA



Published: 02/10/2014 Last Modified: 02/10/2014

Press release

Wonga has entered into an agreement, known as a voluntary requirement (VREQ), with the Financial



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Tribunal directs Financial Conduct Authority to ban former insurance broker



Published: 16/04/2015 Last Modified: 16/04/2015

Press release

The Upper Tribunal (Tribunal) has directed the Financial Conduct Authority (FCA) to prohibit former insurance broker Stephen Robert Allen on the grounds that he is

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Home > News > Press Releases > Clydesdale Bank fined £20,678,300 for serious failings in PPI complaint handling

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Clydesdale Bank fined £20,678,300 for serious failings in PPI complaint handling

Published: 14/04/2015 Last Modified: 14/04/2015

Press release

The Financial Conduct Authority (FCA) has today fined Clydesdale Bank Plc (Clydesdale) £20,678,300 for serious failings in its Payment Protection Insurance (PPI)

Related links

- [The Financial Conduct Authority to gather evidence on how the PPI complaints process is working](#)
- [TR14/14: Redress for payment protection insurance \(PPI\) mis-sales](#)
- [TR13/7 Payment protection insurance complaints: Report on the fairness of medium-sized firms' decisions and redress](#)
- [Monthly PPI refunds and compensation](#)

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2014 fines

Last Modified: 07/01/2015

This table contains information about fines published during 2014. The total amount of fines is £1,471,431,800.

Amount	Company or person fined	Date	What was the fine for?
£42,000,000	Royal Bank of Scotland Plc, National Westminster Bank Plc and	20/11/2014	For breaches of Principle 3 between 1 August 2010 and 10 July 2012 ("Relevant Period")

Related links

- [FSA fines table](#)
- [2013 fines table](#)
- [2014 fines table](#)

Related documents

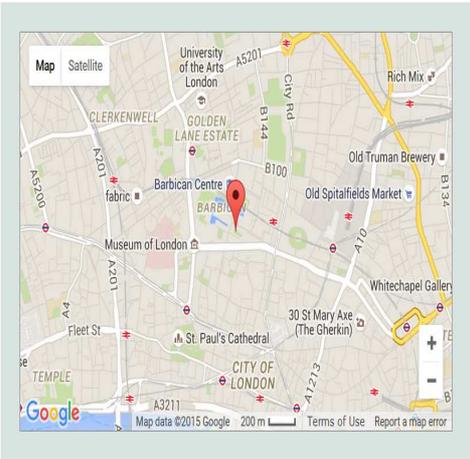
- [Business Plan](#) - on page 55 there is a summary of what happens to the fines.
- [Fines Consultation Paper](#) - details can be found on page 17

2015					2016			
September	October	November	December	January	February	March	April / May	June

Please click on the orange link to view the lecture and register

What to expect from the FCA and Conduct Risk

Start Date/Time: Tue 20 Oct 09:00
End Date/Time: Tue 20 Oct 12:30
Recurring Event: One time event
Speaker/s: Branko Bjelobaba FCII
Location: The Insurance Hall, 20 Aldermanbury
Category: International, Lloyd's & Market Issues Lecture
Venue: [The Insurance Hall](#)



Description:
 This half day seminar will be run by Branko Bjelobaba FCII, CII Accredited Advanced General Insurance Trainer and John Gorham FCCA, recently retired from JLT as Compliance Manager.

This event is for regulated firms only

**Thank you for your
attention**

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