FCA CP 16/9 - FCA Regulated fees and levies: Rates proposals 2016/17
Responsible Finance Response

Q1: Do you have any comments on the proposed FCA 2016/17 minimum fees and variable periodic fee rates for authorised firms?

N/A

Q2: Do you have any comments on the proposed FCA 2016/17 minimum fees and periodic fee rates for fee payers other than authorised firms?

N/A

Q3: Do you have any comments on the proposed FCA consumer credit fees for 2016/17 set out in Table 6.2?

The proposed periodic fees for consumer credit firms increase the fees for full permission firms with consumer credit income over £250,000 by 67%. For not-for-private-profit firms, such as our members-community development finance institutions (CDFIs), this increase has a material impact on their bottom line. As non-profit organisations, our members are legally required to re-invest any surpluses into their mission and serving their community. An increase in fees must be covered by income and therefore reduces the amount reinvested.

In addition many firms also have to pay fees to their own regulator, such as IPS regulatory fees.

Whilst we understand the motivation behind the FCA increasing the fee rate, as explained in Chapter 6, we also advocate for a proportionate approach to fees. Although some of our member organisations may earn over £250,000 in consumer credit income, they are still relatively small organisations with most qualifying as micro-enterprises or very small organisations (under the European definition of SME). In addition, their status as non-profits tackling financial exclusion means that they are operating in markets that are considered higher risk and/or unprofitable by commercial lenders. A 67% increase in fees would increase their cost base and have a significant impact despite being in the upper income band.

Given the demand in the market, our members have ambitions to continue to grow to increase access to affordable credit to those underserved by mainstream finance. Increased fees will be a potential barrier to consider on this growth plan; given that many organisations will have made projections using the 2014 fee rates.

We propose the FCA takes an alternative approach for non-profit organisations like our members, given that they are operating in markets that commercial providers do not, and are providing affordable credit to consumers whose only options may be high cost. The proposed significant increase in fees will impact on our members disproportionately compared to other firms in this band, given their structures and business model.

We recognise the need for regulated firms to pay fees, but are in favour of a fee proposal that takes into account a balanced approach, which would help put our members on a level playing field when serving the financially excluded segment of the market. This includes keeping them on the 2014 fee rates, or introducing further bands in the £250,000+ income category for non-profit organisations (or community finance organisations) that staggers the fees.

We welcome the opportunity to discuss this further with the FCA.

Q4: Do you have any comments on the proposed Financial Ombudsman Service consumer credit levies for 2016/17 set out in Table 6.5?

We support keeping the Financial Ombudsman Service consumer credit levies the same.

Q5: Do you have any comments on the proposed Money Advice Service consumer credit levies for 2016/17 set out in Table 6.6?

We support keeping the Money Advice Service consumer credit levies the same.

Q6: Do you have any comments on the proposed 2016/17 ring-fencing implementation fee?

N/A

Q7: Do you have any comments on the proposed 2016/17 pensions guidance levy (PGL) rates?

N/A

Q8: Do you have any comments on the proposed 2016/17 pensions guidance providers' (PGPL) rates?

N/A

Q9: Do you have any comments on our proposed application fee for credit unions?

N/A

Q10: Do you have any comments on the concessions we are proposing for fees payable by community finance organisations taking out permissions as home finance providers and administrators?

We welcome the FCA's approach to provide concessions for fees payable by community finance organisations taking out permissions as home finance providers and administrators. As this activity constitutes only a minority of our member organisations' lending activity, this approach is more proportionate.

Whilst we welcome the principle of this approach, we believe there is not complete parity between the minimum fees paid by credit unions and the proposed minimum fees for CFOs. The average loan size for our members that take a second charge on a mortgage is £10,000; so up to 50 loans means that up to £500,000 is secured in second charges. Although it is difficult to compare loan value to deposit value, it appears comparatively less than the £10 million in MELs in this band.

Whist some of our members can choose alternative arrangements for taking security, others cannot. For example, one of our members delivers a home improvement scheme for low-income individuals on behalf of the Local Authority, making home repairs and insulating homes where the tenant could otherwise not afford to do so. They take a second charge on the mortgage as security for the Local Authority's funds. The Local Authority pays this organisation a fee for operating this scheme, and the MCD fee could potentially reduce the amount that can be claimed for revenue. This impacts on the organisation's ability to continue carrying out the scheme.

We are supportive of the principle of this proposal but are in favour of a more proportionate banding system. We welcome the opportunity to discuss further alternatives with the FCA.

Q11: Do you have any comments on the fees structure we are proposing for operators of multilateral trading facilities?

N/A

Q12: Do you have any comments on our proposal to remove the restriction on the minimum amount that we may charge firms for late submission of fees data?

N/A

Q13: Do you have any comments on the proposed method of calculating the tariff rates for firms in each fee block towards the CJ levy and our proposals for how the overall CJ levy should be apportioned?

N/A

Q14: Do you have any comments on the proposed 2016/17 Money Advice Service levy rates for money advice?

N/A

Q15: Do you have any comments on the proposed 2016/17 Money Advice levy rates for debt advice?

N/A