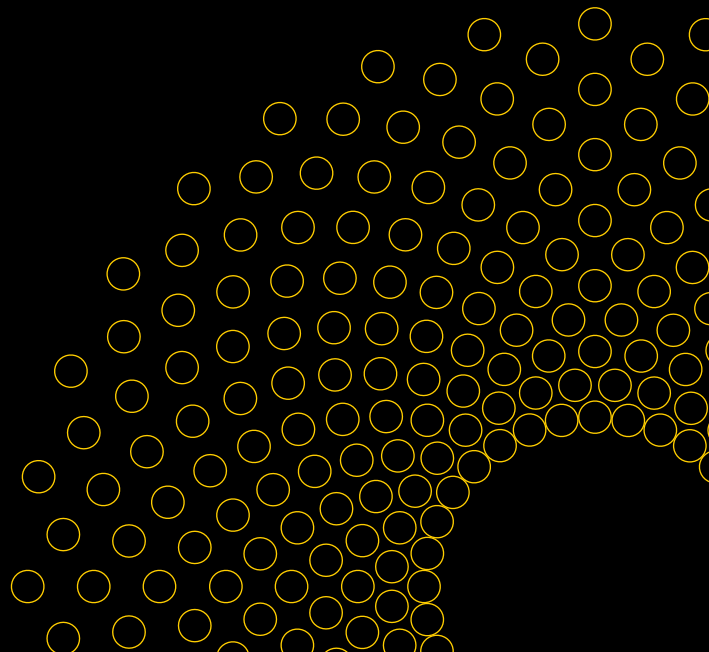
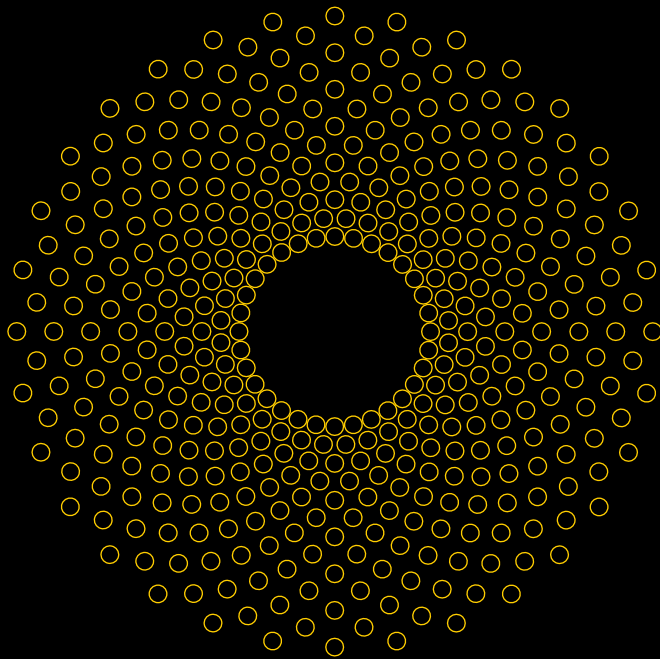




Ministry of
JUSTICE

Claims Management Regulation Annual Report 2011/2012



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The Claims Management Regulation (CMR) Unit continues to face significant challenges keeping the claims management industry in order. The response of the claims industry to the mass mis-selling of payment protection insurance (PPI) has been on a similar industrial scale and that has brought with it a fall in compliance standards and increases in poor practices as claims management businesses fall over each other to get claimants' business.

“All those operating in the claims industry have a responsibility to put consumer interests first but all too often consumers are treated simply as a commodity and their claims for mis-sold products and the like are presented to lenders in a commoditised format.”

The fees taken by some businesses suggest a fully tailored service is being provided to their customers. However, it's clear that the commoditised approach, particularly to PPI claims, is far removed from the bespoke consideration of consumers' individual circumstances which is required.

Too many businesses also fail to co-operate sufficiently with the CMR Unit's enquiries and investigations, some using advisers to try to put obstacles in the way of legitimate enquiries. Those that advise businesses should be focusing on bringing their clients to compliance rather than seeking ways to evade the reasonable investigations being made.

The CMR Unit's primary day in day out objective remains to improve consumer protection by driving malpractice out of the claims management industry and dispensing with those businesses engaged in persistent malpractice. The intention of regulation and the Unit's compliance work is of course not to stop all businesses trading but to try to ensure they operate their businesses responsibly, provide a fair deal for the customers they represent – and where appropriate carry out adequate work preparing their customer's claims so that the defendant has as much information as possible about the customer's grounds for a claim. Flooding defendants, particularly lenders, with many thousands of poorly prepared claims is unacceptable and clogs up an already overloaded system, which can be of detriment to consumers with valid claims as well causing unnecessary additional processing costs.

“The CMR Unit continues to use partnerships with other regulators, complaints handling bodies and with defendant organisations to improve and multiply the effectiveness of regulation.”

The CMR Unit works with the Financial Services Authority and the Financial Ombudsman Service and major lenders to help identify non-compliant businesses and improve the claims process for consumers. The CMR Unit has developed a reporting template for use by credit card companies, banks and building societies to facilitate the exchange of information about businesses' activities.

Introduction from Head of Claims Management Regulation

The Unit is also encouraging the development of mechanisms for improving lenders' relationships with compliant businesses to help streamline the PPI claims process for consumers who choose to use them and minimise the burden on the lenders.

Effective regulation does not require large standing armies of officials, particularly at times when resources are scarce.

“The CMR Unit has removed the licences of over 700 businesses across sectors since the start of regulation in 2007 and many others have exited the market after the commencement of investigations and enforcement action.”

Formal enforcement action has been focused on placing statutory restrictions on the taking on of work by some businesses, which helps protect the position of existing clients while dealing with the bad sales practices.

“To help tackle PPI related issues, during the latter part of 2011 a specialist team was formed within the CMR Unit to focus on tackling the poor practices used by some businesses presenting claims for mis-sold PPI.”

This compliance team has an ongoing programme of audits which is responsive to the reports of bad practices and firm action is being taken where problems are found.

While there is much more to be done to tackle bad practices in the claims sector, some of the attacks made on the role and effectiveness of regulation are misconceived, often lacking a full understanding of the powers available and the requirements on all regulators to carry out their duties in a reasonable and proportionate manner. The general negativity towards the claims management industry, partly driven by the bad practices of some, doesn't mean that the normal rules of evidence based investigations and fair and due compliance and enforcement processes can be suspended.

The financial claims sector is currently the focus of most attention, but the personal injury sector continues to be monitored closely and action taken where abuses are found. Although the sector's turnover continues to grow, future reforms will radically change the nature of the industry from April 2013. The ban on referral fees due to come into effect from then will be policed with vigour by all the relevant regulators.



Kevin Rousell

Chapter 1 - Overview

- Background
- Key developments
- Key figures
- Performance against 2011/12 objectives
- Other developments

Background

1. In the period covered by this Report (April 2011 to March 2012) there have been a number of notable developments in the claims management sector. The most significant has been the heightened profile of claims for mis-sold payment protection insurance (PPI), which has resulted in increased activity in this sector. This is reflected not only in the numbers of claims for mis-sold PPI being pursued but also in the marketing and media reporting for such claims. Other important developments include action taken to tackle malpractice around the sending of unsolicited text messages and marketing calls.
2. The claims industry profile has remained broadly similar to the previous year. The two most active claims sectors are still the financial products/services and the personal injury claims sectors. These two areas account for 99% of the declared turnover of authorised claims management businesses. Whilst the media and public profile of the claims sector has generally increased, the number of authorised businesses has decreased by 206 (6%) compared to a 3% increase in the previous year.
3. Regulatory enforcement work by the Claims Management Regulation (CMR) Unit has continued to increase, with 409 claims management businesses either warned, suspended or cancelled during this period. Ongoing monitoring of the industry has also been stepped up with 150 audits of businesses conducted during the period. Consumers of claims management services continue to contact the CMR Unit in significant numbers, with 14,071 consumers making contact and receiving advice from the Unit during this period.

Key developments

4. Key developments include:
 - A specialist team was set up within the CMR Unit to focus on tackling poor practices used by some claims management businesses when presenting claims for mis-sold PPI. Guidance was issued to businesses and consumers about the main issues around mis-sold PPI claims. Empowering consumers to make choices by giving them clear information has been the aim, together with enforcement action to address business malpractice. An increased number of targeted audits were conducted of businesses operating in this sector with comprehensive advice given and follow up action taken where necessary
 - Closer links with the financial services industry, their representative bodies and regulators have been established. This has improved understanding and communication – in particular for all those with an interest in mis-sold PPI claims. These links have helped us tackle specific issues and provide joint guidance to the claims management industry
 - Work has continued to tackle the challenges arising from unsolicited direct marketing calls and unsolicited SMS text messaging. These issues are being addressed by close working with the Information Commissioner's Office (ICO - who has lead responsibility), the Direct Marketing Association, Ofcom, the Office of Fair Trading, the Telephone Preference Services and representatives from the mobile marketing industry. This cross regulator and industry working group continues to pool resources, share intelligence and mount a more effective campaign of joined up action to try and tackle the sending of unsolicited text messages

- and automated calls marketing claims services
- We are continuing to work closely with the police and other enforcement agencies to assist them in the ongoing fight against insurance fraud. This multi agency approach maximises the CMR Unit's effectiveness in dealing with any businesses involved in making fraudulent claims
 - Despite the fact that the CMR Unit is not primarily a consumer complaints handling body, the advice and assistance given to consumers with a complaint or query about a business has been maintained, even though levels of demand have remained high
 - Businesses seeking authorisation during 2011/12 are having their applications handled more quickly, even though more scrutiny is being applied to the application stage – for example we now review draft client paperwork for all businesses intending to enter the financial products/services sector. More applicants are being invited to meet CMR Unit officers to demonstrate their suitability and increased numbers are being authorised with specific conditions on their authorisation
 - Improvements to the process for renewing annual regulation fees have had a positive impact, with all of the important milestones being reached ahead of all previous year's performances

Key figures

5. Summary of claims management regulation activity from April 2011 to March 2012: Performance against 2011/12 priorities

Number of authorised businesses (at end March 2012)	3,007
The number of authorised businesses decreased by	206
Businesses authorised during this period	612
Businesses authorised with conditions	5
Applications for authorisation 'withdrawn terminated'	161
Applications for authorisation refused	2
Authorisations surrendered	539
Authorisations suspended	5
Authorisations cancelled	260
Authorisations varied (with conditions)	7
Other *	19

*Companies that have changed their legal entities and are effectively no longer trading

Average number of various contacts dealt with each month:

Requests for business advice	864
Contacts from consumers each month	1,173
New applications for authorisation	68

Performance against 2011/12 priorities

6. The priorities for 2011/12 set out in last year's report were:

Unsolicited text marketing – identify the sources of unsolicited SMS text marketing and tackle any non compliance with the rules.

We have established good working links with the primary regulator, the ICO, and other regulators and industry bodies. We are investigating claims management businesses believed to be commissioning and/or receiving the leads generated from unsolicited texts. The challenge is identifying who is responsible for the texts and building up sufficient evidence of abuses to take enforcement action. Much work remains to be done to identify all of the businesses in the chain and ongoing close working with the tele-communications industry and other regulators is therefore essential.

Malpractice in handling of PPI claims – to tackle issues arising from the handling of PPI by some claims management businesses, including raising consumer awareness of options for pursuing complaints; unsolicited marketing of PPI claims; and use of generic template for PPI complaints.

A specialist compliance team was established to respond to growing concerns over the practices of some businesses when presenting claims for mis-sold PPI. The team has conducted a comprehensive and targeted programme of audits to root out the bad practices and bring businesses into compliance. To support this work, the team is working with the Financial Ombudsman Service, the Financial Services Authority and many of the major financial providers to gather the evidence needed to target these investigations and has issued guidance on handling PPI claims appropriately. This work is ongoing and we have seen much improved engagement between businesses and the banks – together they have developed reporting mechanisms to help streamline the PPI claims process for consumers who choose to use them.

Up-front fees – continue work commenced last year to identify businesses that handle up-front fees and apply established and newly identified additional controls.

The previous instances of taking up-front fees for PPI claims have reduced as a result of a number of factors.

This includes enforcement action taken against businesses identified as taking payment during sales calls but not providing required information before the sale or failing to refund when the consumer cancelled the agreement. We also imposed conditions on a number of businesses – these conditions were specifically aimed at addressing issues relating to advance fees.

Misleading marketing – tackle misleading marketing to ensure compliance with the rules.

We have challenged misleading marketing where we have identified problems. In particular, action has been taken as part of pre-audit preparation for PPI claims businesses and more generally following complaints from consumers, the business community and other regulators about marketing.

Fraud / staged accidents – work with partners to target businesses involved in insurance fraud.

We have continued to support the work of other agencies, including regional police forces who lead on insurance fraud. This has resulted in a number of active operations being launched, as well as several convictions in cases where we have assisted.

Unauthorised trading – tackle unauthorised trading and identify priority targets on a risk assessed basis.

This ongoing work has resulted in the identification of and action being taken against businesses carrying out claims management activity without authorisation to do so. Our approach differs depending upon the circumstances but where businesses have failed to heed advice, formal action is commenced.

Fair and reasonable dealings with clients – work with businesses to ensure they offer refunds for consumers who are entitled to them. Businesses that do not meet these legal obligations risk suspension and cancellation.

Significant efforts have been made to get businesses to refund consumers where a refund is due. We have recognised that suspension or cancellation of businesses is likely to mean consumers due refunds will not receive them, and conditions have therefore been applied to businesses this year as a more effective sanction where they are failing to make refunds.

Validation of authorised claims management business information – continue to improve the way we check information given to us by businesses at application and renewal. In particular we will question the validity of zero, and near zero, turnover claims.

Enhanced checks during the annual 'renewal' of information and a number of initiatives carried out during the year have improved the integrity of information being provided by businesses and has helped identify those giving false details, or withholding information from us.

Contract compliance and fairness – improve clarity of information given by businesses about fees payable by consumers. In addition contractual terms that are unfair will be taken up with businesses.

All businesses entering the financial claims sector now have to provide us with copies of their client contracts and pre-contract information. This paperwork is also now requested from businesses where we are receiving complaints about them and before we audit them.

Protecting client money – we will build on the work carried out last year to protect client money. Specific checks on compliance with details client account rules will be carried out with identified businesses.

Those businesses that handle client money have been contacted where their Accountant's Reports are overdue. Enforcement action has been taken where businesses have failed to provide the report.

Other developments

7. The changes in the PPI claims market have presented a number of different challenges. Previously, many complaints were related to marketing and up-front fees, but as the sector has developed, we have seen other emerging issues such as the way in which businesses handle complaints and back-end fees. We have therefore adjusted priorities and targeted enforcement action to address such emerging areas.
8. We improved the format of the regular bulletins that are used to address topical or problematic issues and update businesses on legal and market developments. We also improved the format of guidance documents, such as the specific guidance issued on PPI claims, prepared for both businesses and consumers to provide distinctive, clearly laid out, and simple advice.
9. We updated our website information to enhance and provide a better user experience for businesses and consumers. As part of this work the content of the old CMR website was transferred to the new Justice website at www.justice.gov.uk/claims-regulation.
10. We continued to receive reports of fraudsters who use the name of the Ministry of Justice or an authorised business to trick members of the public into parting with large sums of money by asking for upfront fees so that "compensation payments" they are supposedly entitled to can be released. We have worked with Action Fraud to ensure consumers report such scams and this has led as lead to the issue being prioritised and actioned by the City of London Police.
11. We published the post legislative assessment of the Compensation Act 2006 Act (which provides the statutory framework for CMR) in January 2012. The post-legislative scrutiny process aims to ensure that Departments take a more systematic approach to reviewing the operation of their legislation and assessing whether they are achieving the intended objectives. This assessment provided evidence that the regulatory framework introduced by the 2006 Act is not only necessary but has achieved the legislative intention.

Chapter 2 – Claims Management Regulation Background

- About us
- Regulatory objectives
- Who and what we regulate
- Working methods

About us

1. The Ministry of Justice (MoJ) has been responsible for directly regulating the activities of businesses providing claims management services since April 2007 under Part 2 of the Compensation Act 2006. The Compensation Act defines claims management services as “advice or other services in relation to the making of a claim”. Secondary legislation defines the scope of regulation including the regulated sectors and the regulated activities subject to the authorisation regime.
2. Any business providing regulated claims management services in England and Wales is, unless exempt, required to be authorised irrespective of their registered address or location of the business. Exemptions under the Compensation Act include those already regulated, for example, solicitors and insurers – and independent trade unions. Businesses authorised under the Compensation Act are subject to a range of statutory conditions, including compliance with conduct rules geared firmly towards consumer information and safeguards. Businesses that do not comply with the conditions of authorisation including conduct rules are subject to appropriate enforcement action.
3. Claims management regulation is delivered by the Claims Management Regulation (CMR) Unit. The Unit is responsible for managing the operation of the regulatory system, which includes handling applications and complaints, monitoring compliance, investigating malpractice and taking enforcement action. Duties also include approving statutory decisions made on behalf of the Secretary of State including authorisations, suspensions and cancellations, and managing policy, funding,

communications, and stakeholder relations. The CMR Unit operates on a self funding basis with all operating costs recovered through regulation fees paid by businesses.

Regulatory objectives

- Protecting and promoting the interests of consumers
- Protecting and promoting the public interest
- Improving standards of competence and conduct of authorised persons
- Improving access to justice
- Promoting practices to facilitate competition between different providers of regulated claims management services

Who and what we regulate

The claims sectors subject to Compensation Act 2006 regulation are:

- Personal injury
- Financial products/services
- Employment
- Industrial Injuries Disablement Benefit
- Criminal injuries compensation
- Housing disrepair

The types of claims management activities regulated include:

- Advertising for, or seeking out (for example direct marketing) persons who may have a cause of action
- Advising a claimant or potential claimant in relation to his claim or cause of action
- Referring details of a claim/claimant or cause of action for a fee to another person
- Investigating or commissioning investigation of a claim with a view to using results in pursuit of the claim
- Representing the claimant

Working methods

4. We have adopted the National Intelligence Model (NIM) as our enforcement work model. Originally used by the Association of Chief Police Officers and then on a statutory basis under the Police Reform Act (2002), the NIM model provides a framework of minimum standards and basic principles.
5. NIM was introduced to enable the police to take an intelligence led and problem solving approach to crime, and has been adopted as best practice by public and private bodies. The model promotes partnership working and uses the management of information and intelligence. The NIM process includes principles to facilitate the recording of information and intelligence, followed by analysis for the development of Intelligence Products which are readily understood by partner agencies.
6. Our enforcement tactics and decisions are based on the analysis of intelligence from consumer contacts and/or a variety of stakeholder agencies. Enforcement partners and stakeholders include law enforcement agencies, industry regulators, consumer protection agencies such as Trading Standards authorities as well as industry counter fraud groups such as the Insurance Fraud Bureau and the Insurance Fraud Investigators Group.

Chapter 3 – Analysis of Business Activity

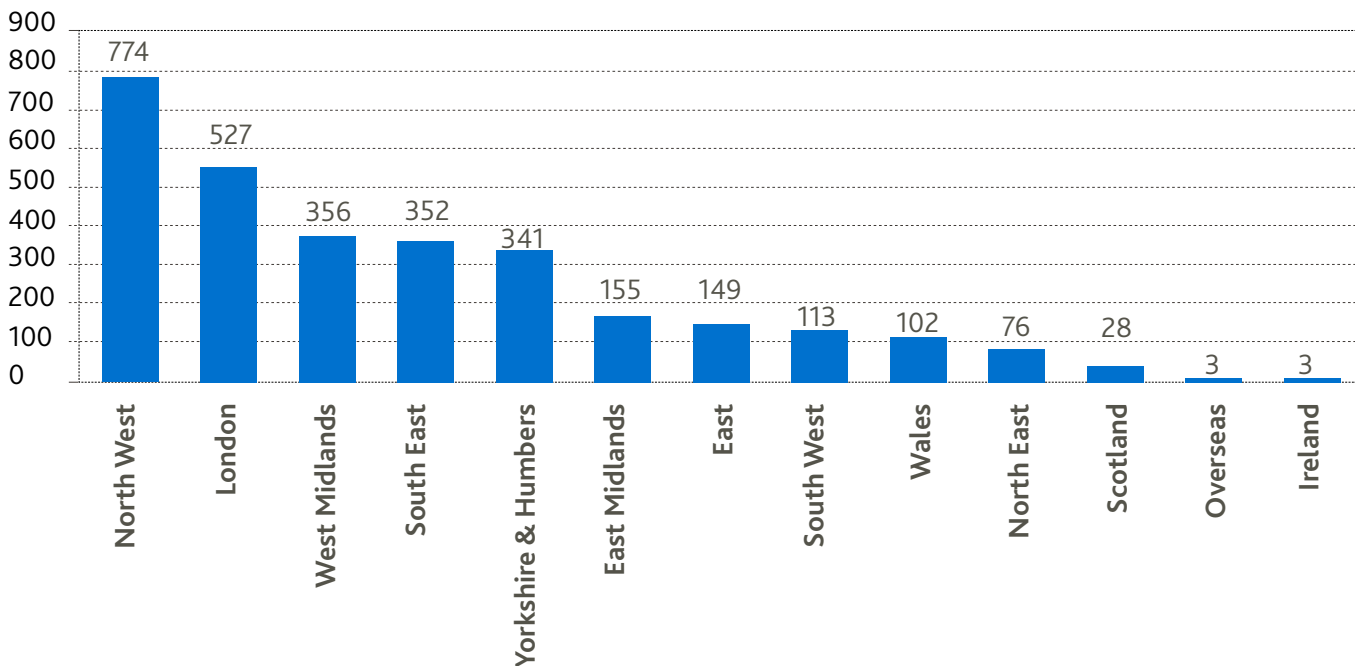
- Geographical distribution of authorised businesses
- Business turnover
- Applying for authorisation
- Regulation Fees renewal exercise

Geographical distribution of businesses

1. Over a quarter of all authorised businesses are based in the North West region. The four next largest areas are London, West Midlands, Yorkshire and Humberside

and the South East, which together account for more than half of all authorised businesses. These figures are consistent with the previous year.

Authorised Business by Region - 2011/12



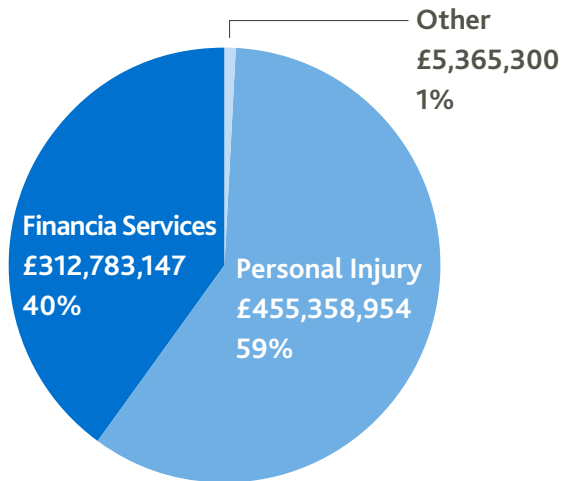
Business turnover

2. Details of businesses' turnover are requested for the 12 months to 30 November for each year. The total turnover declared (for the 12 months to 30 November 2011) was £774m, up £192m (33%) on the previous year.
3. The personal injury sector remains the largest sector with a turnover of £455m (compared to £377m in previous year).

The financial products and services sector turnover increased to £313 million – up from £189m. Turnover generated from the PPI claims sector is mainly the reason for this 66% annual increase.

4. Personal injury and financial products/services account for over 99% of declared turnover by regulated businesses. The remaining sector turnovers are all down on last year with the employment sector down £10m (74%).

Annual Turnover By Claim Sector - 2011/12



Applying for authorisation

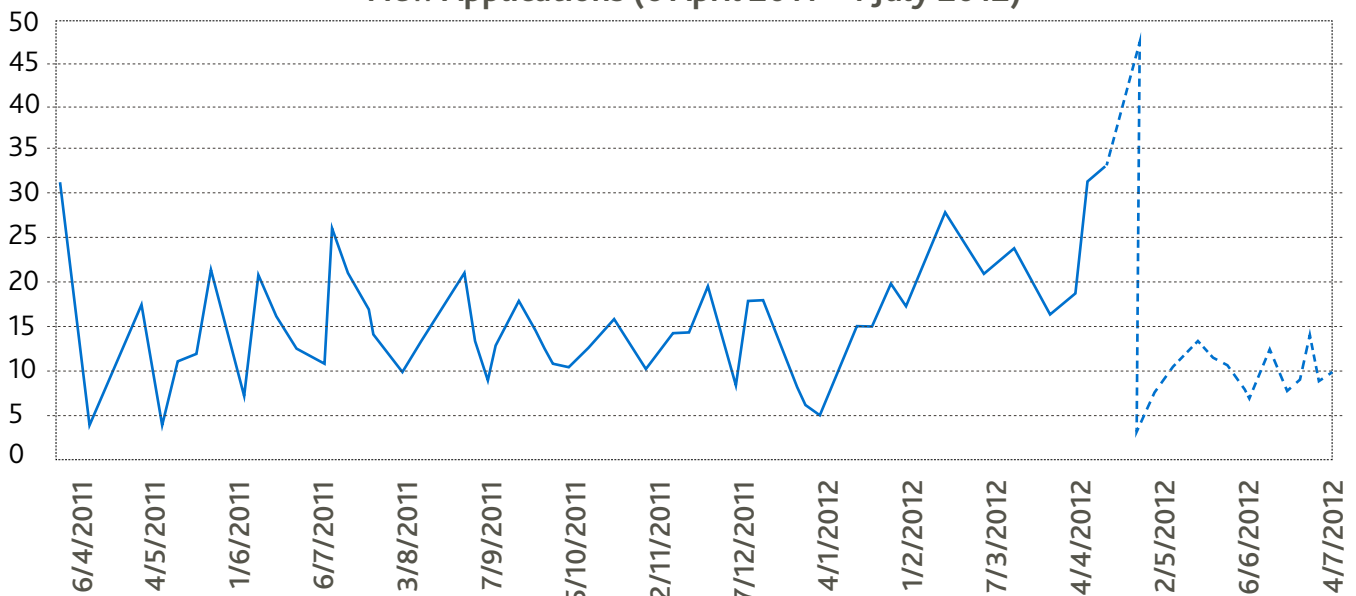
5. During 2011/12 we received an average of 15 applications for authorisation per week, down from an average of 19 per week in the previous year. The introduction of a new higher flat rate application fee (of £950) on 1 April 2012 is likely to have resulted in an increase in new applications during March 2012. 10% of applications failed to complete the process last year. Where applications fail, the reason can be that the applicant decides to withdraw the application; we have terminated the application where the business fails to provide information required; or we have refused the application. New applications therefore do not automatically equate to the number of authorised businesses.

Regulation Fees renewal exercise

6. The process for collecting 2012/13 regulation fees from businesses commenced in February 2012. We always review previous renewals exercises and this resulted in the following changes being made:
- On-line renewal has been further streamlined and is designed to speed the process up for businesses
 - The process was online only unless there were accessibility issues. This made the process more efficient by minimising the staff resource at the CMR Unit needed to input details into hard copy forms
 - A new password reset feature was added to the online forms to improve security and usability for businesses
 - All businesses that did not complete the process by the deadline were chased at the earliest stage by letter and email. Subsequently all remaining non responsive cases were chased by telephone

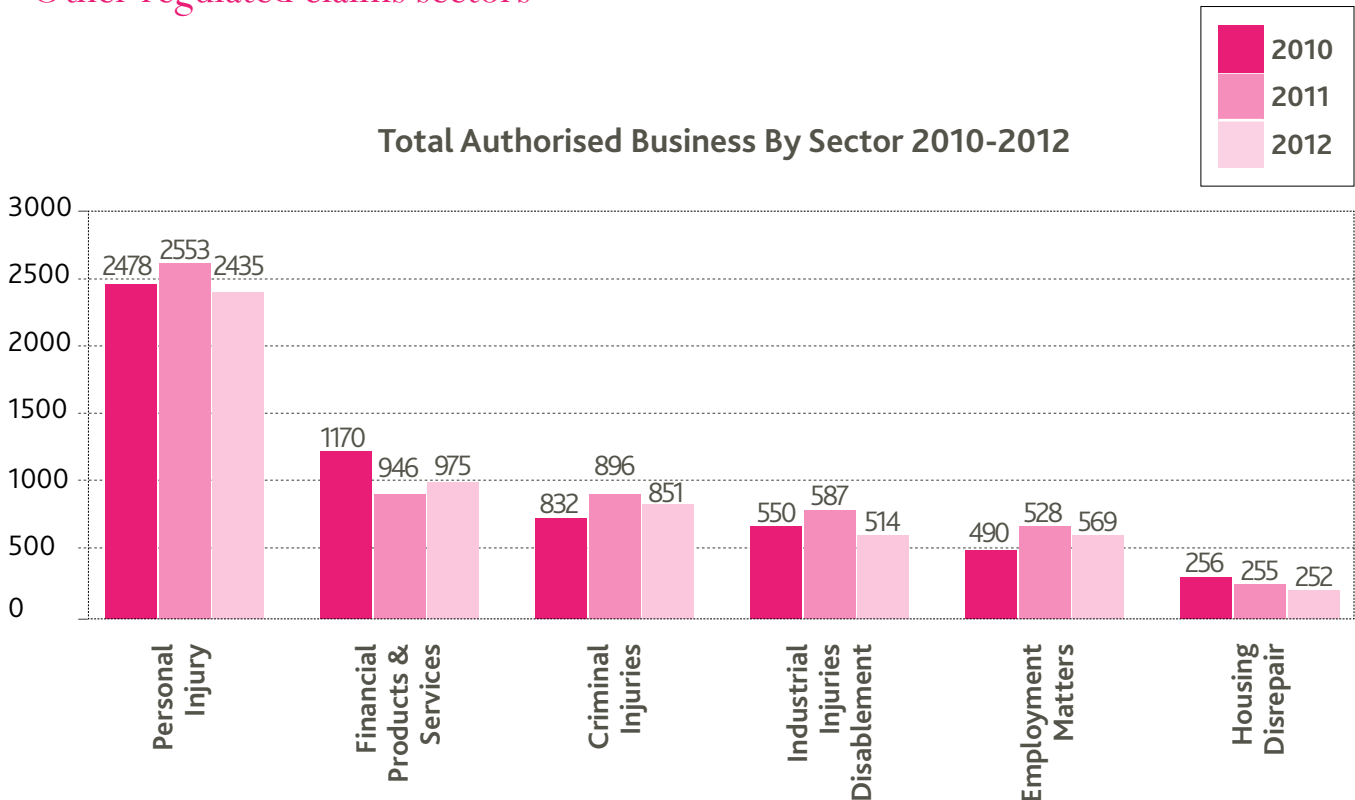
These changes have had a positive impact with all of the important milestones being reached ahead of all previous year's performances.

New Applications (6 April 2011 - 4 July 2012)



Chapter 4 – Information on Specific Sectors

- Personal injury
- Financial products and services
- Employment
- Other regulated claims sectors



Personal injury

1. Personal injury still represents the largest single regulated sector with 2,435 authorised businesses and a £78m increase in turnover – although in terms of the number of businesses it is slightly smaller by percentage than it was this time last year. Most businesses operate as introducers or referral agencies, providing personal injury cases to other claims management businesses or solicitors. This role – primarily only in the initial stage of the claims process is reflected in the fact that this sector accounted for less than 5% of consumer complaints received by the CMR Unit.
2. The majority are small, locally operated businesses that often provide claims management services in conjunction with related business activities –

for example vehicle recovery, repair, storage and hire. The smaller businesses sometimes operate within networks of associated businesses, including medical examiners, solicitors, independent vehicle examiners, and independent referrers (usually exempt introducers). Whilst the majority deal in road traffic accident cases, some businesses specialise in other personal injury claims sectors such as hearing loss or “slips, trips and falls” claims. However, by contrast, there are also some very large businesses that market their services regionally or nationally on a big scale and refer a high volume of cases to solicitors.

3. It is likely that this sector will see some significant change with the ban on referral fees for personal injury claims due to be implemented in April 2013. In addition, the introduction of Alternative Business

Structures could affect the way in which solicitors' firms operate, with a potential impact on larger personal injury claims businesses.

Financial products and services

4. Compared to last year, there has been a slight increase in the number of businesses in this sector, with an additional 29 to make a total of 975 authorised businesses. The vast majority of these are primarily engaged in claims relating to PPI mis-selling – currently the main focus of this sector. Industry estimates suggest that 3 million individuals were potentially mis-sold PPI with a potential liability to the banks of over £8 billion.
5. The most significant factor here was the High Court decision in April 2011 that rejected the banks legal challenge against the Financial Ombudsman Service's and the Financial Services Authority's complaints handling requirements in relation to PPI mis-selling. This generated a significant increase in media coverage, consumer group activity and consumer awareness about PPI mis-selling and redress. The increase in awareness also prompted a multiplication of claims management business marketing activity and a large rise in claims via those consumers opting to use the services of claims management businesses (or solicitors) and also through consumers complaining directly to the banks.
6. The financial products and services sector already accounted for the overwhelming majority (93%) of consumer enquiries and complaints received by the CMR Unit about services provided by claims management businesses. A significant number of complaints about the practices of businesses dealing with PPI mis-selling claims are also received from the recipients of the claims, i.e. the financial services industry.
7. It is still a feature of businesses operating in this sector that they are constantly exploring and have the ability to identify new areas where potential claims can be made – and can move rapidly into them to exploit new claims markets. Evidence from applications data suggests that businesses are still interested in mis-sold mortgage claims and considering once again moving into the Unenforceable Consumer Credit Agreement claims market. We have noted some interest in mis-sold investment claims, but there is nothing to indicate there is much interest in processing such claims in any significant volume.

Employment

8. There are 514 authorised businesses in this sector, with only 160 having declared a non-zero turnover, indicating that many are not actively representing claimants. This remains a specialist, niche area within the claims management regulation scope.
9. A feature of this sector is that, despite its relatively small size, when issues are raised by consumers and others, they can require a disproportionate amount of time to resolve. The reason for this is that these issues usually revolve around complex work related disputes and can include serious allegations such as poor representation and unreasonable behaviour by a very small contingent that operate in the sector.

Other regulated claims sectors

10. The other regulated sectors are criminal injuries compensation; housing disrepair and industrial injuries disablement benefit. As with previous years, there are relatively few businesses actively engaged in these sectors, causing fewer concerns.

Chapter 5 – Complaints and Enquiries

- Consumer contacts about authorised businesses
- Complaints from financial institutions, solicitors and others
- Complaints handling by authorised businesses
- Parliamentary interest

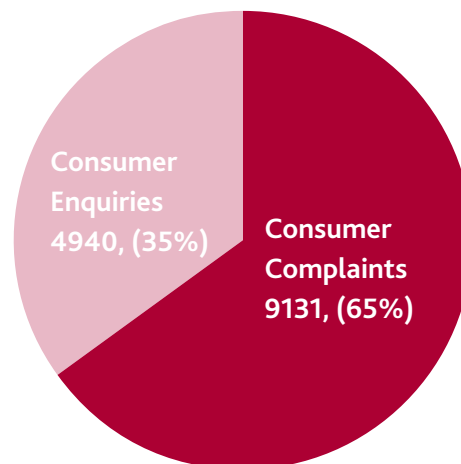
Consumer contacts about authorised businesses

1. This year 14,071 people contacted the CMR Unit. Consumers usually contact us for information and advice either
 - Where they are dissatisfied with the service they have received from a business; or
 - Where they are considering making a claim but have not yet appointed a business to act for them, usually following some sort of marketing communication from a business
2. The most common issues raised by consumers include:
 - The level of fees they are being charged by the business following a successful conclusion of their (mostly PPI) claim
 - A business failing to, or delaying to refund a consumer entitled to a return of all, or some of a fee paid up-front (when they have cancelled the agreement)
 - The fee charged by the business when the consumer has cancelled the agreement and there has been some work carried out
 - A business failing to provide the service originally promised (often relating to speed of making the claim or amount they were to receive)
 - Receiving a telephone cold-call or SMS text message from a business and are unhappy at being contacted

or want to know if a business is able to market in this way

- How a business has obtained their details, sometimes quite detailed, in order to contact them about a potential claim
3. Contacts are distinguished by whether the consumer is making an enquiry, for example as to whether a business is authorised, or if they are complaining about the business. A contact is categorised as a complaint where a breach of the rules is evident. Most contacts from consumers are complaints, but not all complaints are necessarily justified or involve breaches of the rules

Consumer Contacts 2011/2012

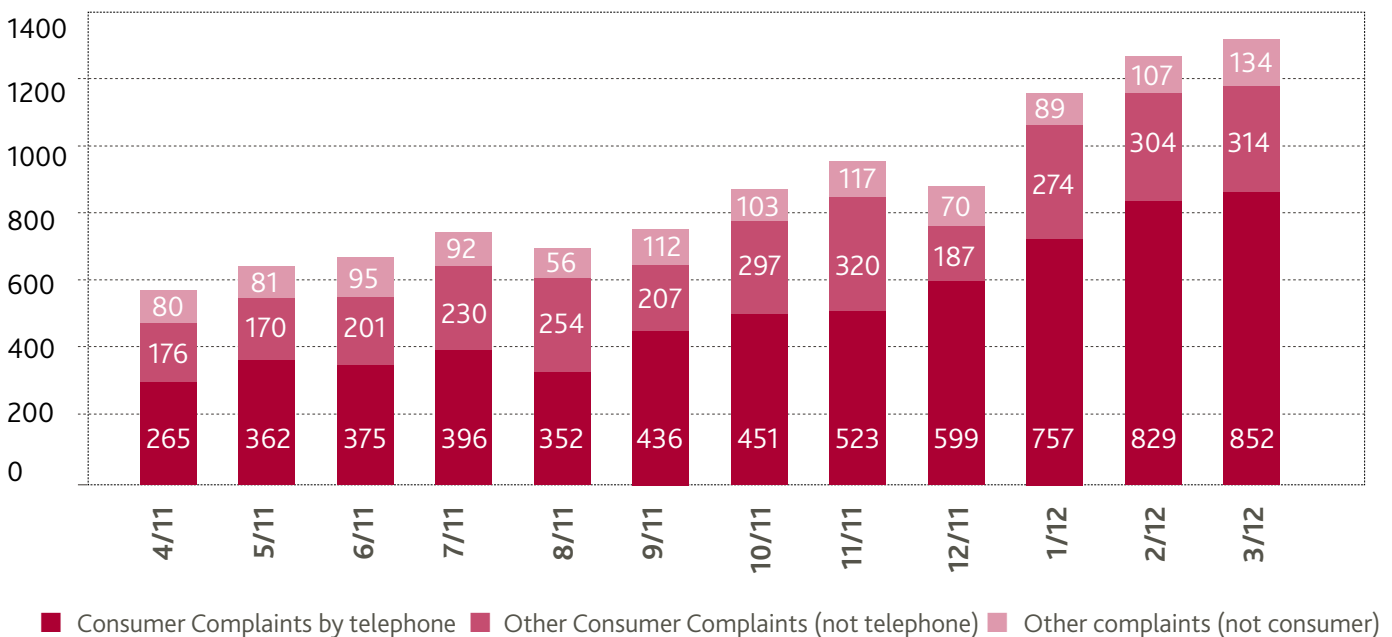


Consumer complaints by type and source

4. Over 93% of all complaints received were about businesses operating in the financial products and services sector – even though less than a third of all authorised businesses are active in that sector. The overwhelming majority of those are about PPI claims businesses. Most of these complaints are about the fees being charged by businesses, the service provided by the business or how they’ve treated customers.
5. Most consumers contact the CMR Unit by telephone, and demand has increased throughout the year. If consumers wish to complain about a claims management business we will always ask them to make the complaint direct to the business first. Where this has proven to be ineffective, or we are able to identify that a business may have breached the rules, we use this information to assess whether enforcement action is required.
6. Where we receive a large number of complaints about an individual business, an officer will be allocated to tackle the issues arising. This may be as simple as ensuring the complaints handler in the business is made aware of the situation, and ensuring that the complaints handling procedure is correctly invoked or may require further investigation and action.

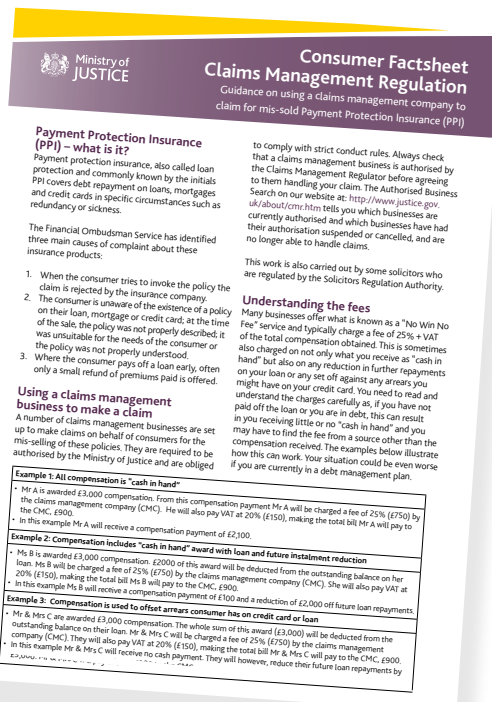
Consumer Complaints by Sector	No. Complaints	% Complaints
Financial Products & Services	8521	93.32%
Personal Injury	386	4.23%
Employment Matters	43	0.47%
Industrial Injuries Disablement	15	0.16%
Housing Disrepair	6	0.07%
Criminal Injuries	14	0.15%
Undefined	146	1.60%

All Complaints by Source - 2011/12



Consumer guidance

7. We provide basic 'pre-shopping' advice to consumers who contact us at the initial stages when they may be considering using the services of a claims management business. Our advice to those consumers is to shop around, and research the business they are thinking of using. We also point out that they may be able to make a claim themselves. If the consumer does want to use a business to make a claim on their behalf, we will inform them of the information that the business must provide before they enter into an agreement.
8. We also provide 'post-shopping' guidance. We will often be contacted by consumers shortly after they have agreed to allow a business to act for them. Some consumers only look into the details of the business after entering into the agreement or considering making the claim themselves, and will then contact the CMR Unit for advice. In such cases we advise the consumer of their right to cancel and/or recover any advance fee they may have paid inside or outside the cooling-off period.
9. The "Information for Consumers" page of the CMR part of the Justice website contains frequently asked questions we receive from consumers, as well as factsheets covering particular topics. Our factsheets provide clear advice on what to do when, for example a business has been suspended or cancelled or where a consumer believes there have been delays in receiving a service.



10. In response to growth of the PPI claims market, we produced a PPI-specific factsheet for consumers in 2011. We also published joint guidance with the Financial Services Authority, the Financial Ombudsman Service and the Financial Services Compensation Scheme about claims management businesses and financial services companies. In March 2012 we redesigned most of our factsheets to make them more distinctive, clear and simple.
11. We monitor the nature of complaints and queries we receive to identify any other issues or areas where consumers would benefit from specific guidance. The most recently issued factsheet for consumers for example deals with the fees consumers will be charged when using the services of a claims management business.

Complaints from financial services providers, solicitors and others

12. We received more than 1,000 complaints from financial businesses and other organisations. These are usually complaints from financial services providers, including banks and lenders against whom PPI claims are being brought. The other main area is complaints from those involved in personal injury claims, including solicitors who receive referrals from claims management businesses.

Financial services providers

13. As a result of the growth of the PPI claims market, we have engaged actively with financial services providers and their representative bodies in order to deal effectively with their complaints and concerns. We also continue to deal with individual complaints from financial services providers where they are concerned by the conduct of particular businesses. These complaints tend to relate to PPI claims being pursued by businesses where the financial services provider has already confirmed that there was no product sold or relationship with the client.
14. We have also met with most of the major banks (sometimes via their representative bodies) who are receiving the bulk of PPI claims. They have provided data to us about issues they are finding with particular

businesses and provided information about businesses who are routinely submitting claims to them where:

- There was no PPI sale
 - There was no relationship with the customer
 - Insufficient information was provided to enable them to investigate the complaint
 - The claim has been prematurely escalated to the Financial Ombudsman Service
15. This information has helped to identify businesses where there appear to be endemic problems with their sale and/or claim processes that can amount to systematic breaches of the rules. This exchange of information has contributed to the audit programme undertaken by the CMR Unit's dedicated PPI team.

Solicitors

16. The types of complaints we receive from solicitors usually relate to the alleged fraudulent activity of a claims management business. If a solicitor believes that a business has referred bogus claims to them or has referred the same claims to number of different solicitors, they will often contact the CMR Unit. This information is useful intelligence for the Unit to consider and begin investigating the business. We recommend that the solicitor also reports the alleged fraud to the police so that the relevant authorities can investigate the allegation.

Complaints handling by authorised businesses

17. Authorised businesses must operate a complaints handling scheme in accordance with the Complaints Handling Rules. Under these rules, if a consumer complains about the service received, the business is given the opportunity to remedy matters.
18. If a consumer is unhappy with how their complaint has been handled by the business they will often contact the CMR Unit. We will seek to establish whether the business has breached any of the rules in their general conduct or in handling the consumer's

complaint. If the complaint is genuine and serious, we may intervene and contact the business to bring about a successful resolution.

19. If a consumer believes the business has failed to comply with their complaint handling procedure, they can request a formal review of their complaint by the CMR Unit. Reviews involve a full re-examination of the facts and in some circumstances require further investigation and discussions with the business concerned. Only a very small proportion of the total number of complaints received are escalated in this way.

Parliamentary interest

20. We have had 22 Parliamentary Questions and one Parliamentary Debate tabled in relation to CMR. The topics were usually related to mis-sold PPI claims, enforcement action taken against particular claims management businesses, complaints and enforcement statistical data, our regulatory role and its impact on the industry, and unsolicited marketing calls and text messages.

Chapter 6 – Enforcement

- Background
- Concerns at application (refusals, warnings, conditions)
- Dealing with malpractice
- Variations, suspensions and cancellations
- Unauthorised trading
- Tribunal appeals
- Dealing with fraud

Background

1. Enforcement action is taken when a business has breached the Conduct of Authorised Persons Rules 2007 and is taken with the aim of protecting the interests of consumers and the general public. Such action can range from assisting businesses to comply with the rules (by providing advice) to formal action, including the removal of a business's authorisation. The action we take must be proportionate and reasonable to the circumstances. This often includes taking into consideration the effect of any action on existing customers receiving a service from the business.
2. Most businesses are co-operative and responsive to initial informal enforcement action. Where rule breaches are evident we can provide advice, request remedial action to be taken, or warn the business about their conduct. Most businesses will take steps to comply with such informal action.
3. We do not however assume that a business will comply if we have needed to take such action. Follow up work will always be planned until we are satisfied that the business is compliant. This work would depend on the nature of the breaches but we may continue to monitor complaints or review the marketing by the business. We could also request updates of measures the business has introduced and their effect, or schedule an audit for a future date.
4. Where businesses still fail to comply, formal enforcement action is necessary. This follows consideration of the facts and evidence as well as recommendations from the officer(s) who have been dealing with the business. We always initially consider whether any specific conditions could be imposed upon a business's authorisation. Those conditions could be used to modify a business's behaviour or activity in order to limit their ability to breach the rules and cause consumer detriment.
5. If the nature of any rule breaches makes imposing conditions on their authorisation inappropriate, we will consider suspending the business's authorisation. The suspension may be lifted if the business is able to demonstrate that it has taken certain action and/or they are willing and able to comply. We will cancel the authorisation of a suspended business if they fail to take the action required or demonstrate that they will comply. We will also cancel a business's authorisation if it fails to pay its annual fee.
6. Before we impose conditions upon, or suspend or cancel authorisation, we will inform the business of our intentions. We will state which rules the business has breached, what efforts have been made to try to get them to comply and explain why it is in the interests of the public to take the proposed action.
7. The business has the opportunity to make representations before any final decision is made. This gives the business a final chance to demonstrate an ability and willingness to comply. The final decision is made following careful consideration of the facts and any representations made.

Concerns at application (refusals, warnings, conditions)

8. When an application is received from a business seeking authorisation, we carry out a number of checks on the business and the persons involved. We must be satisfied that the applicant is suitable and competent to carry out claims management activities.
9. Where we have concerns about an applicant's suitability or competence, we will take an appropriate approach to the application to address those concerns. There are a number of different concerns we could have, but these often involve:
 - The quality of the original application
 - The way the applicant deals with questions over the telephone
 - The standard of pre-contract information and client contract (which is requested of all PPI claims businesses)
 - The (lack of) knowledge or experience of the applicant
 - Intelligence we hold about individuals involved with the applicant
 - The business already providing regulated claims management services without authorisation (or being exempt)
 - The proposed business model of the applicant
 - Discrepancies between information provided at application and those revealed by checks during the application process, including undeclared convictions or action taken by another regulator or enforcement agency
10. Where we have concerns about an applicant's suitability, we will invite them for a face-to-face interview/meeting to discuss the application. We will also seek to arrange an interview if we have reason to believe that the person who will be running the business is not one of the individuals listed on the original application.
11. Once we are in a position to make a decision on the application, dependant upon whether the concerns we had have been addressed, we may:
 - Refuse the business's application to become authorised
 - Impose additional, specific conditions upon their authorisation
 - Request that the business signs written undertakings as to their ongoing conduct once authorised
 - Increase the business's risk rating (to medium or high) and plan follow up work e.g. review marketing or audit the business within 6 months
12. Of the 612 businesses authorised during the year, seven had additional conditions applied to their authorisation. We refused the authorisation of two businesses, and a further 140 exited the authorisation process before the conclusion of their application.
13. Businesses failing to complete the authorisation process have either withdrawn their application or it is terminated. Few businesses contact us after applying (and paying the application fee) stating they no longer wish to become authorised. Most exit the process because we terminate the application. This is usually because they have failed to provide information requested, and often follows the raising of particular concerns with the applicant.

Dealing with malpractice

PPI claims market

14. In November 2011 we commenced a new, wider programme of focussed work in the PPI claims sector. We were receiving an unacceptably high number of complaints about most of the businesses selected as

part of this programme and some were already subject to enforcement action.

15. We work with the FSA, the FOS and the major banks to help identify non-compliant businesses and improve the claims process for consumers. Last year we produced joint guidance for businesses with the FOS and FSA on handling PPI claims appropriately. We have agreed a memorandum of understanding with the FOS that facilitates sharing of information and co-operation on some operational matters. Information on complaints, details of businesses exiting the market and other relevant regulatory or industry developments is exchanged regularly and any malpractice is investigated.
16. These direct relationships assist with the analysis of the compliance issues and evidence gathering to focus compliance interventions. We have developed a reporting template for use by credit card companies, banks and building societies to facilitate the exchange of information about businesses' activities.

PPI audits

17. Audits are arranged for various reasons - it may be that there were concerns at the application stage and an audit was scheduled as part of follow up work, or that we have received complaints or adverse intelligence about a business. We carried out 150 audits and visits to businesses this year. The majority of these related to PPI claims businesses and formed part of the programme of work conducted by the CMR Unit's dedicated PPI team – as detailed below.
18. The PPI audit process is comprehensive, taking into account, amongst other things, the following information:
 - Compliance record of business
 - Size/turnover of business
 - Number and nature of consumer complaints
 - Complaints and information received from financial services providers
 - Business model (including marketing, fee structure etc.)

- Location of business (to increase efficiency of programme)
19. Following selection for an audit, we will conduct a desk-based review of the business prior to giving notice of the audit. We request information about how they operate and a breakdown of the cases they have handled, and all related paperwork. Within three weeks of the audit, we will produce an audit report, which will confirm any issues identified, the rule breaches associated with them and the advice provided during the audit. The report will list any additional information or documentation we require from the business, action required and by when.
 20. If more serious problems were found during the audit, we will issue a warning to the business before the audit report is issued. Follow up checks, reviews or other work is planned if required. This might involve a return viewing of a business's website or client documentation, or a review of the complaints we receive.
 21. The areas of malpractice identified at audit are usually the same as those we became aware of as a result of complaints from consumers. These include:
 - Failure to comply with complaints handling procedures
 - Misleading marketing, especially during telesales calls
 - Failure to provide appropriate client paperwork, including pre-contract information and terms and conditions
 22. We also came across other areas of malpractice from information provided to us by the banks and other financial services providers - for example:
 - Submission of claims to financial services providers where there was no PPI sale or customer relationship
 - Claims being submitted to the financial services provider without sufficient information to allow them to investigate the claim
 23. During audits it became clear that other specific issues might be of wider relevance to other PPI claims businesses, and we highlighted them in targeted communications to the sector (via bulletins and

factsheets). Particular issues include:

- Acceptance of referrals from introducers who were not authorised, but should have been; and
 - Handling client money otherwise than in accordance with the Client Account Rules
24. We have continued to take specific action against businesses that take up front fees and targeted the worst offenders as part of this process. Whilst not a breach of the rules itself, there are a number of issues which are often associated with this practice including:
- Making misleading claims during telemarketing/sales calls, including exaggerating the likely speed of settlement and value of the claim
 - Failing to give the consumer reasonable time to consider pre-contract information before taking payment
 - Failing to provide any information at all
 - Taking payments from consumers without their authorisation
 - Using a third party to take payment thereby reducing the client's rights to make a claim from their credit card provider for the money paid under section 75 of the Consumer Credit Act 1974
 - Delaying or failing to fully refund the consumer where they have cancelled the agreement within the cooling off period
 - Failing to provide any part refund where the consumer cancels the agreement outside of the cooling off period but very little or no work has been done by the business
25. The number of businesses involved in such practices in this area has fallen as a result of effective enforcement action taken against some of the worst offenders. In addition, banks have ceased to provide the facility to take card payments over the telephone to such businesses due to the problems they have experienced with them.
26. As the PPI claims process has developed and become relatively easier and quicker, the 'back end payment' business model has become the claims industry

standard. This has made the PPI claims market more competitive, and more difficult for those maintaining the 'up front fee' model.

27. It is also now standard practice for financial services providers to make PPI settlement payments direct to the customer (rather than through the claims management business representing them). As more customers become aware of this, we have received more complaints about the timing and method by which some businesses seek their fee. Some businesses have, for example, sought payment of their fee before the client has received the settlement and/or are persistent or aggressive in chasing the fee. In such cases we have taken action against those businesses that fail to comply with the rules.

Unsolicited Marketing

Text messages and emails

28. The use of unsolicited SMS text messages for marketing claims management services is a practice common to both the personal injury and PPI claims. These messages are generally not sent by claims management businesses but by others to generate leads for other businesses (including claims management businesses), and the growth in this practice has caused a nuisance to the general public, particularly as the content of the messages is often misleading.

FREEMSG: Our records indicate you may be entitled to 3750 pounds for your Accident. To claim for free reply with YES to this msg. To opt out text STOP

29. We have taken enforcement action against authorised businesses accepting leads or claims from this type of marketing. We have also advised businesses to ensure that where they use third parties to market on their behalf, generate leads or acquire data for them, that they are compliant and are authorised by us if they are required to be. We are continuing to address these issues through our involvement in a cross-

industry working group run by the Direct Marketing Association which includes other organisations with an interest in tackling automated messages and SMS text marketing. These include the Advertising Standards Authority, Office of Fair Trading, the Information Commissioner's Office (ICO) and the main telecommunication networks.

30. There is also a regulators 'sub-group' which allows us to share experiences, discuss approaches and exchange intelligence in tackling the issues. We are currently working towards creating a Memorandum of Understanding with the ICO to further support and enhance this area of work.
31. Claims management businesses are also increasingly using email marketing to promote their services. Many claims management businesses appear to use agents or affiliates to send marketing emails, and as some of the marketing does not comply with all relevant legislation and regulations work is underway to improve compliance.

Telephone calls

32. We have received complaints from consumers who have been called at home, or on their mobile phone – particularly about making a PPI claim. We have also seen an increase in the number of complaints from those who have been contacted about potential personal injury claims. The types of complaints range from consumers who are being contacted despite having registered with the Telephone Preference Service to those receiving persistent calls. Some of the complaints suggest that some of the calls originate from overseas call centres.
33. There are often a range of rule breaches committed by claims management businesses marketing their services in this way. Some breach rules relate to transparency and misleading information, while others relate to the failure to meet their obligations to provide pre-contract information to clients before seeking to enter into an agreement with them. Each potential rule breach presents different challenges, particularly as some relate to the content of the call which can be misunderstood, misinterpreted and often disputed. Where we receive persistent

complaints of a similar nature about a business, we have varied the conditions of their licence so that they are required to make and retain call recordings.

Data

34. Feeding this type of direct marketing (telephone cold-calling, automated message, unsolicited SMS texts and emails) are those businesses that collect, generate and provide the data. We have seen more data provision and lead generation businesses seeking authorisation this year, where they fall into the category of providing claims management services.
35. Many people object to simply being contacted by claims management businesses (or those acting on their behalf) in this manner. While we are able to take action if the content of the communication fails to comply with the rules, the contact itself, and the manner in which the business has obtained somebody's details often falls outside of our regulatory remit, as the ICO is the authority set up to uphold information rights and enforce data protection law. Although the information about how businesses are marketing is useful intelligence to us, we direct complainants to the ICO for further advice. In January 2012, the ICO were given greater powers and are now able to fine businesses committing data protection offences (up to £500,000).

Variations, suspensions and cancellations

36. Over the past year we have increased the use of variation of conditions of authorisation in order to address business conduct issues. Where a business is persistently breaching the rules, we can impose conditions designed to specifically address poor practices.
37. Any business that has had conditions imposed on its authorisation will have already had the opportunity to remedy any rule breaches and demonstrate that they are able to operate within the rules. Where they fail to do this, specific conditions are used to target the particular problem while still allowing the business to provide other services to clients where no rule breaches have been identified.
38. If this still fails to modify the business's behaviour and they continue to breach the rules, and in particular the

specific condition imposed on their authorisation, then further formal enforcement steps will be considered. This will usually result in the suspension or cancellation of their authorisation. As these particular forms of enforcement action are far more serious and prevent the business from providing any claims management services, this may cause further detriment to existing clients. Careful consideration is therefore given before proceeding with suspension or cancellation as some of those clients may be satisfied with and/or have already paid a fee for the provision of those services.

39. If it is necessary to suspend a business's authorisation, the suspension can be lifted if the business can demonstrate that they have remedied the breach and will comply in the future. As well as suspending businesses for persistent breaches of the rules, it can sometimes be necessary to take this action for a single, serious breach. We cancelled the authorisation of 260 businesses this year.

Unauthorised trading

40. We receive around 40 reports each month about businesses that are providing claims management services without authorisation. With the increase in activity in the PPI claims sector, many of these reports are coming from the financial services providers who are subject to the PPI complaint.
41. It has also become evident that many authorised businesses are accepting data, leads or claims from businesses that are unauthorised. Determining whether an introducer will need authorisation depends upon exactly what services they are providing. Some of the issues arise around the use of agency arrangements between businesses and can be remedied by those involved. Other businesses are simply 'using' an authorised business's identity or authorisation number (with permission) or are a franchisee of an authorised business. They are often acting upon the incorrect advice from the authorised business that they do not need to seek authorisation.
42. Upon receipt of a report of unauthorised activity, the information is assessed before deciding on the next steps. Many of the reports provided require no further action as they may relate to:

- a trading name/style of an already authorised business
 - a business that is exempt from the need to be authorised; or
 - a legitimate agent of an authorised business
43. Some of the reports we receive relate to businesses that have applied for authorisation, but are not yet authorised. This sometimes relates to marketing that has been prepared in anticipation of becoming authorised (typically launching a website) but sometimes involves more active marketing. In such cases applicants are reminded from the outset that they must not begin claims management activity until authorised.
44. When we receive a report about a live website belonging to an unauthorised business we will contact the business to inform them that they are committing an offence and that the website must be disabled immediately. Where the business fails to act upon the warning, we will take further steps to facilitate the removal of the website before considering more formal action. This will often involve us contacting the internet service provider (ISP) who is hosting the website. The use of a website (for the unauthorised provision of regulated claims management services) is usually a breach of the terms of the agreement the business has with the ISP and we have found that many ISPs are helpful in taking action.
45. We will carefully consider how the business acts and their response before continuing with any application for authorisation. Depending upon the seriousness, we may refuse authorisation, impose conditions, increase the risk rating of the business and schedule follow up work or warn the business about their conduct.

Tribunal appeals

46. A decision made by the Claims Management Regulator is subject to appeal if:
- An applicant is refused authorisation
 - An authorised person has conditions attached to the authorisation; or

- authorisation is suspended or cancelled
47. Appeals must be made to the General Regulatory Chamber of the First-tier Tribunal (Claims Management Services). The appeal procedure is set out in the Tribunal Procedure (First-tier Tribunal) (General Regulatory Chamber) Rules 2009.
48. During 2011/12 there were four appeals to the First-tier Tribunal:
- Two appeals were lodged against our decisions to cancel a business's authorisation for non payment of annual fees in accordance with Regulation 20 of the Compensation (Claims Management Services) Regulations 2006. Both of these appeals were withdrawn by the appellants
 - One appeal was lodged against our decision to suspend a business's authorisation. An initial hearing stayed our decision to suspend. The Appeal was eventually finalised with a consent order to the effect that the business remained authorised with strict specific conditions
 - One appeal of our decision to vary the conditions of a business's authorisation was successful
49. During 2011/12 there was one appeal to the Upper Tribunal (Administrative Appeal Chamber):
- This appeal was lodged against the decision of the First Tier Tribunal which had dismissed the original appeal. This appeal was itself dismissed and the decision of the First Tier Tribunal not set aside

Dealing with fraud

50. Much of our work in the personal injury sector involves assisting and supporting other agencies engaged in tackling fraudulent activity relating to businesses or organised groups attempting to defraud the insurance industry. Although it is often outside our regulatory scope to take direct action, we can contribute valuable information and expertise and have worked with a range of organisations and agencies to tackle fraud,

including police forces throughout England and Wales on a number of operations throughout the year. These operations have resulted in dozens of arrests, charges and convictions.

51. The investigations usually extend far beyond the activities of claims management businesses, as they will usually play just one part in an organised fraud network. A complete network may include several 'enablers' which could include vehicle recovery and storage, car hire firms, motor engineers/examiners, medical experts and solicitors. The extent that each part of this chain is involved may also differ, as some 'enablers' may be complicit while others are more actively engaged in the fraud.

Fraudulent insurance claims

We received an enquiry from a police force who were investigating the activities of Business F based in North London.

It was believed that Business F had been arranging accidents where the driver of an expensive vehicle was hit by a cheaper vehicle. The driver of the cheaper vehicle would admit liability and their insurers would have to deal with the claim. Business F handled the claims, stored the vehicles and provided hire cars to those involved, maximising the total value of the fraud.

A police raid on the premises of Business F uncovered evidence in a car boot which unravelled the scam. It was estimated that the 'cash for crash' scam cost the insurance industry almost £2million. There was evidence that Business F had staged more than 120 fake crashes over a 3 year period.

One of our officers provided a statement to the police and gave evidence at the trial of six men. The mastermind of the fraud was jailed for 5 years and disqualified from acting as a company director for 10 years. The other 5 men also received custodial sentences for their involvement.

Chapter 7 – Costs

1. The operating costs of the CMR Unit are financed by fees charged to businesses (application fees and annual fees). The fee levels paid by businesses are reviewed and consulted on each year to ensure that they are proportionate and regulation is self financing. The claims management market can be volatile, being subject to changes in the economy, legal judgments (for example the High Court decision in April 2011 that rejected the banks' legal challenge against complaints handling requirements in relation to PPI mis-selling), and policy changes such as reforms to the personal injury claims process and to legal costs and funding. The number of claims management businesses trading and level of business conducted therefore continues to be difficult to predict.
2. A consultation paper¹ published in October 2011 set out proposals for fee levels for 2012/13 that would increase the fees paid by new applicants, freeze the annual regulation fees paid but raise the maximum annual fee payable. The consultation paper was sent to all regulated businesses (at that time a total of around 3,200 businesses) and other interested parties across the various claims sectors. 13 regulated businesses responded, along with one representative organisation from the finance industry. Having considered the responses, the proposed increases were implemented with effect from April 2012, with the aim of ensuring that the claims management regulation regime continues to be self financing.

Costs and fee receipts summary 2011/12	£m
Costs	
CMR Unit	3.02
Fee income	
Application fees	0.55
Annual regulation fees	2.50
Total	3.05

¹ Consultation Paper CP 20/11 - CMR fees paid by claims management businesses

Chapter 8 – Communications and Partnerships

- Communications
- Interested parties/stakeholders
- Media stories/coverage
- Guidance and advice
- Information Sharing Agreements and Memorandum of Understanding
- Other regulators

Communications

1. Communication with businesses, consumers, stakeholders and the media is an important element of regulation that ensures developments and changes in the claims sector are identified and action can be taken to inform, influence or obtain views from those affected. This is achieved through a variety of communication outlets as set out below.

Business bulletins and surveys

2. We publish regular business bulletins which are distributed to all authorised businesses to provide them with advice, guidance and notice of relevant issues. Bulletins have included advice on proposed changes to the employment law/tribunals process (March 2011); an update on PPI complaints following the High Court decision on the PPI judicial review (July 2011); advice on the rules relating to refunding clients and on cold calling in person (December 2011); a reminder about FOS guidance on handling of PPI claims and a warning about accepting leads or referrals from unauthorised introducers (February 2012).

Conferences

3. The Head of Regulation has attended and given presentations at a number of conferences/meetings over the past year, including addressing a Claims Management Innovations Seminar (May 2011), the Butterworths "Financial mis-selling claims" Conference (June 2011); the British Bankers Association "Dealing

with CMCs" seminar (July 2011); the Building Societies Association (Oct 2011); and the Association of British Insurers (Dec 2011).

Claims Management Regulation website

4. In May 2011 the content of the claims management regulation website was transferred to a newly redesigned "Justice" website (www.justice.gov.uk/claims-regulation). The updated website aims to provide an improved user experience for businesses and consumers. All the rules, guidance, legislation and the authorised business search facility can now be found there. We also have an online presence at:
 - Directgov – www.direct.gov.uk/en/Governmentcitizensandrights/index.htm
 - Business Link – www.businesslink.gov.uk/bdotg/action/licenceLanding?itemId=1084113904&type=LICENCE

Interested parties/stakeholders

5. A Regulatory Consultative Group (RCG) meets quarterly to review progress and ensure that stakeholders are involved in the development and operation of the regulatory regime. The Group includes representatives of claims management businesses, other regulators, trade associations, consumer groups and other interested organisations. A full list of RCG members is set out in Annex A.

6. We also have separate regular liaison meetings with a number of organisations, including the consumer group Which?, the Insurance Fraud Bureau and UK Cards Association.

Media stories/coverage

7. General media interest this year has increased significantly with regular features and stories across many media outlets – with topics usually related to mis-sold PPI claims, unsolicited marketing calls/texts and fraudulent car accident/injury insurance claims. Coverage has ranged from national press and television; consumer outlets such as daytime consumer TV programmes; regional radio programmes aimed at raising consumers' awareness of the role of claims management businesses; to the business, financial and legal press whose interest is mainly in the regulatory role and its impact on the industry.
8. The MoJ Press Office received over 500 separate media enquiries relating to claims management. The majority of these related to case studies or complaints about individual businesses, ongoing regulatory enforcement action, or questions on policy and remit. When dealing with these enquiries, we often need to adopt an approach of providing off the record background briefings to guide media outlets about any enforcement action without compromising ongoing investigations. On other occasions the Head of Regulation has provided background briefings on specific topics that have successfully addressed negative and inaccurate coverage. As a result, the majority of stories have run in a neutral or positive form.
9. The Head of Regulation has taken part in a number of interviews during this period to reinforce our regulatory stance and message. Those interviews include the Mail on Sunday, Financial Times and Daily Mirror, and a focus on consumers via daytime TV and regional radio – identified as effective media outlets to promote key messages aimed at:
- Raising consumer awareness about being clear what product they are buying before handing over any payments
 - Educating consumers about where to find information, and how to complain
 - Emphasising our zero tolerance approach to firms who do misbehave; and
 - Making consumers aware that they can pursue claims – especially PPI claims – without using a claims management business
10. Examples of claims management regulation coverage include:
- BBC Wales (April 2011 – MoJ statement about enforcement action undertaken against particular claims management businesses)
 - BBC Panorama (July 2011 – cost of car insurance and growth of compensation culture)
 - Guardian/Telegraph/Independent and others (Sept 2011 – banning referral fees)
 - BBC Watchdog (September 2011 - malpractice by claims management businesses dealing with PPI claims)
 - BBC Rip Off Britain (October 2011 – advice for consumers considering PPI claims)
 - Thisismoney.co.uk (Nov 2011 – MoJ crackdown on PPI malpractice)
 - BBC Wales (January 2012 – consumer advice on PPI claims)
 - Mail on Sunday (Feb 2012 – fraudulent car insurance injury claims)
 - BBC Radio Oxford (February 2012 – consumer advice on PPI claims)
 - BBC Five Live (March 2012 – claims management

businesses' role in motor insurance claims and tackling fraud)

- Financial Times (March 2012 - guidance and facts given on PPI claims numbers)
- Daily Mirror (March 2012 – texts and PPI claims in feature on claims management business malpractice)
- BBC Panorama (March 2012 – unsolicited texts and calls)

Guidance and advice

11. We have published several items of guidance and advice for businesses and consumers. These include:

- Publication of new guidance for consumers considering using the services of a claims business to make a claim for mis-sold PPI or wishing to make a claim themselves
- New guidance for claims businesses on better practice when handling claims for mis-sold PPI. The guidance identifies common problem practices and reminds them of their obligations in respect of the conditions of their authorisation
- Updated guidance for consumers on what to do when a claims business's authorisation has been suspended, cancelled or surrendered
- Updated guidance for consumers on what to do when they have paid a fee to a claims business for a service that has not been provided
- Publication of joint guidance with the Financial Ombudsman Service (FOS), the Financial Services Authority (FSA) and the Financial Services Compensation Scheme (FSCS) designed to assist consumers, claims businesses and financial businesses with understanding the role of claims management companies in financial services complaints. It provides consolidated information and explains the respective roles of the Claims Management Regulator, the FOS, FSA and FSCS

- Notifying consumers, as appropriate, of a particular business entering administration. We provided consumers with a dedicated factsheet that set out the options and advice on next steps
- Updated pre-application and post-application FAQs designed to assist businesses applying for authorisation
- Updated advice to consumers via the MoJ website about ongoing scams which have tricked a number of consumers into sending money overseas using money transfer methods such as Ukash® vouchers, Western Union, or the Post Office's Moneygram® service. This advice included a request to report such incidents to Action Fraud, the UK's central fraud reporting centre run by the National Fraud Authority

Information sharing agreements and Memorandum of Understanding

12. We have established memoranda of understanding and information sharing agreements with other regulators and organisations, including the FSA, the FOS and the FSCS. Over the last year we have also established agreements with the Legal Ombudsman and a Multi Disciplinary Practice Framework Memorandum of Understanding with the Solicitors' Regulation Authority (SRA). These agreements allow relevant information and intelligence to be exchanged between the parties to help them exercise their respective functions. Information is shared in a way that complies with legal requirements and the principles set out in the agreements.

Other regulators

13. We continue to have regular meetings with other key regulators such as the SRA, FSA, FOS and OFT to ensure we are aware of developments, emerging markets and any new areas of concern, so that issues are identified at an early stage and any action is agreed.

Chapter 9 – Priorities for 2012/13

- Outcomes
- Priorities for 2012/13

Outcomes

1. The following outcomes drive the operational priorities:
 - Consumers not exploited by claims businesses
 - Claims businesses responsive to regulatory safeguards
 - Reduced misconceptions and false expectations of compensation and reduction of fraudulent claims and disrupting claims management businesses engaging in other forms of criminality
 - Improvements in quality and professionalism of regulated providers and restoring confidence in compliant providers and in the system
 - Increasing transparency of the market with regard to charges, commission payments and the provision of information
 - Improvement in market practices and processes providing consumers with genuine claims with more efficient and effective routes to redress

Priorities for 2012/13

Tackling malpractice in handling of PPI claims

2. Address issues arising from the handling of PPI claims by some claims management businesses – including the submission of claims where there was no sale of PPI.

Unsolicited SMS text marketing

3. Identify the sources of unsolicited SMS text marketing, work with other regulators with powers in this area (ICO, Ofcom) and tackle any non-compliance with the rules.

Increase awareness of charges made by claims management businesses and alternatives

4. Ensure businesses are making the fees they charge clear to clients and educate consumers about fees and alternative options for pursuing complaints – in particular PPI claims.

Contract compliance and fairness

5. Improve clarity of information given by businesses about the fees payable by consumers. Any unclear terms will be challenged. In addition contractual terms that are unfair will be taken up with businesses.

Complaints handling

6. Ensure businesses are recognising what constitutes a complaint and that they are handling them in accordance with their complaints handling procedure.

Misleading marketing

7. Tackle misleading marketing, in particular during telemarketing calls, to ensure compliance with the rules.

Cancellation of agreements

8. Ensure businesses are providing refunds to consumers who have paid an advance fee and they are due. Safeguard consumers seeking to cancel agreements against unreasonable fees that fail to reflect work already carried out by the business.

Fraud/staged accidents

9. Work with partners to target businesses involved in insurance fraud.

Unauthorised trading

10. Tackle unauthorised trading and identify priority targets on a risk assessed basis.

Validation of authorised claims management business information

11. Apply scrutiny to businesses declaring inconsistent turnovers and continue work establishing which businesses handle client money and that they comply with client account rules.

Annex A

Claims Management Regulation stakeholders

Regulatory Consultative Group – members as follows:

Advisory, Conciliation and Arbitration Service (ACAS)

www.acas.org.uk

Advertising Standards Authority (ASA)

www.asa.org.uk

Association of British Insurers (ABI)

www.abi.org.uk

Association of Independent Financial Advisors (AIFA)

www.aifa.net

Association of Personal Injury Lawyers (APIL)

www.apil.org.uk

British Bankers Association (BBA)

www.bba.org.uk

British Insurers Brokers Association (BIBA)

www.biba.org.uk

Building Societies Association (BSA)

www.bsa.org.uk

Citizens Advice Bureau (CAB)

www.citizensadvice.org.uk

Claims Standards Council (CSC)

www.claimscouncil.org

Council of Mortgage Lenders (CML)

www.cml.org.uk

Employment Appeal Tribunal Service

www.employmentappeals.gov.uk

Financial and Leasing Association (FLA)

www.fla.org.uk

Financial Ombudsman Service (FOS)

www.financial-ombudsman.org.uk

Financial Services Authority (FSA)

www.fsa.gov.uk

Financial Services Compensation Scheme (FSCS)

www.fscs.org.uk

Law Society

www.lawsociety.org.uk

Legal Ombudsman

www.legalombudsman.org.uk

Motoring Accident Solicitors (MASS)

www.mass.org.uk

National Debtline

www.nationaldebtline.co.uk

Office of Fair Trading (OFT)

www.offt.gov.uk

Solicitors Regulation Authority (SRA)

www.sra.org.uk

UK Cards Association

www.theukcardsassociation.org.uk

Unison/TUC

www.unison.org.uk

Which?

www.which.co.uk

Annex B

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