



Ministry
of Justice

Claims Management Regulation

Annual Report 2013/2014



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Introduction from Head of Claims Management Regulation

No regulator can ever stand still. Markets change, new legislation is introduced, new business practices emerge, consumer expectations increase and compliance problems evolve.

Effective regulation means constantly checking that we are organised in the optimum way to make best use of the resources available and assessing if we have the right regulatory tools to do the job required of us. It also means ensuring that we are driven by the right compliance priorities and are informed by the best analysis and intelligence of the industry's conduct and ambitions.

In 2013/14 we embarked on an ambitious new change programme, which carries on into 2014/15, to refresh and reform the way in which the Claims Management Regulation (CMR) Unit works and enhance the enforcement tools available to us. To be able to respond to the many significant and sometimes unexpected challenges ahead, we have taken steps to improve the way in which we are organised and govern ourselves. We have strengthened CMR internal governance by reconstituting the CMR Board and appointing two non executive members to provide a fresh perspective and independent challenge.

We have also reorganised our compliance functions and expanded our frontline operations to put ourselves in a better position to tackle more non compliant practices more quickly and where appropriate, more robustly. And all of this has been achieved at no cost to the taxpayer. We have been taking steps to make the Unit more resilient to the compliance and fiscal challenges ahead brought about by the shrinking CMC industry. As the industry continues to shrink in size and in volume of business, we will be working even harder to ensure the Unit operates as efficiently and effectively as possible to maximise the compliance outputs from what is likely to be diminishing cash resources.

We are working even more smartly with other regulators, complaints handling bodies, consumer groups and key organisations which are large scale recipients of claims or represent such recipients. This multi-agency approach increases the chances of achieving more holistic solutions and outcomes to regulatory and related redress issues, which should benefit the consumer most.

Most significantly we have devised a new power to fine which will later this year, if approved by Parliament, extend the toolkit of enforcement actions available to us to sanction poor conduct by CMCs with much more precision, power and proportionality than ever before.

We are reforming further the rules we require CMCs to follow, ensuring that they are sharply focused on the behaviours which we all wish to see eliminated from the industry and are able to deal with new conduct issues as they arise.

Compliant CMCs have nothing to fear from any of this and should continue to strive for even higher standards. However, non compliant CMCs have everything to lose if they continue to break the rules.



Kevin Rousell

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Chapter 1 - Who we are and what we do



Who we are

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 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 the conduct rules) are subject to appropriate enforcement action.

What we do

3. Claims management regulation is delivered by the MoJ's Claims Management Regulation (CMR) Unit. The CMR 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 in respect of 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 claims management companies (CMCs).

Our objectives

4. Our ongoing primary objectives are:
 - Protecting and promoting the interests of consumers
 - Protecting and promoting the public interest
 - Improving standards of competence and conduct of authorised persons

Our remit

5. The claims sectors subject to regulation under the Compensation Act 2006 are:
 - Personal injury
 - Financial products and services
 - Employment
 - Industrial Injuries Disablement Benefit
 - Criminal injuries compensation
 - Housing disrepair
6. 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

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A key feature of the year was the introduction of a wide programme of reforms centred on more robust enforcement and stricter rules that require the claims management industry to raise standards.



Chapter 2 – Overview of activities and performance



Key Actions

1. A key feature of the year was the introduction of a programme of reforms centred on more robust enforcement and stricter rules that require the claims management industry to raise standards. Significant changes to the Conduct of Authorised Persons Rules were implemented between April and July 2013 to strengthen existing action and better protect consumers. Most crucially we brought an end to verbal contracts and imposed a ban on CMCs offering cash incentives or similar benefits to consumers to bring claims.
2. In April 2013 a ban on referral fees paid between CMCs, lawyers, insurers and others for personal injury claims was introduced. This had a significant impact on the personal injury claims market, with over 1,000 CMCs who were unable to adapt or change their business models to comply with the ban, leaving that sector. This shrinkage made the personal injury sector comparable in size to the financial products and services sector for the first time since regulation began.
3. In June 2013 we launched a new publications scheme, which brought more transparency to our enforcement decisions, and is part of the ongoing work to raise industry standards and ensure consumers have all the up-to-date information they need to make a decision about using a CMC.
4. We increased staffing in the CMR Unit by almost 50%, allowing us to expand enforcement capacity and focus additional resources on priority areas. During 2013/14 we stepped up enforcement action with 440 CMCs warned, suspended, or cancelled and 152 audits conducted.
5. Nuisance calls and texts remained a key issue this year, requiring extensive engagement with stakeholders. We continued to work closely with the Information Commissioner's Office (ICO) and Ofcom, the regulators with primary enforcement responsibility, to make full use of our joint powers to tackle this problem and reduce consumer harm. We also collaborated with the Department for Culture Media and Sport to launch a joint nuisance calls action plan in March 2014.
6. The financial products and services sector remained very active in 2013/14 – dominated by payment protection insurance (PPI) claims. Poor practice in the handling of PPI claims by some CMCs remained a concern and was the target of strengthened enforcement action and improved compliance outcomes.
7. A multi-agency approach was adopted to tackle malpractice in other priority areas such as unauthorised trading and personal injury fraud. This saw us working closely with law enforcement agencies, other relevant regulators, consumer groups, ombudsman schemes and the legal, insurance and financial services industry.
8. Our reform programme is ongoing and during this year we have begun work on reinforcing the CMR Unit's enforcement tools with a new power to issue financial penalties; consulted on further strengthening of the conduct rules from a financial services perspective; and made progress in extending the Legal Ombudsman's jurisdiction to consider consumer complaints against CMCs.

Key activity figures

9. The following data provides a summary of claims management regulation activity from 2012/13 to 2013/14. Quarterly updates on CMR performance can be found on our enforcement web page at: www.gov.uk/government/publications/claims-management-regulator-enforcement-actions.

	2012/13*	2013/14*
Total authorised CMCs (at end March)	2,693	2,097
New applications for authorisation	544	227
Applications refused	4	2
Applications withdrawn	154	87
Authorisations surrendered	677	604
Authorisations suspended	7	2
Authorisations cancelled	211	198
Authorisations varied (with conditions)	5	4
Warnings	285	240
Audits	129	152
Advisory visits	7	1,029

Note * Represents the period April to March.

Progress against 2013/14 compliance priorities

We carried out the following key work to deliver against the compliance priorities as set out in last year's report:

Enforcing ban on referral fees in personal injury claims:

We closely monitored how CMCs were adapting to the ban through a proactive programme of compliance activities. We inspected the business practices of over 900 CMCs between April 2013 and March 2014, requested information on around 500 business models and issued 65 warnings. We also worked closely with the Solicitors Regulation Authority (SRA) and the Financial Conduct Authority (FCA), sharing information and discussing issues as they emerge.

Tackling malpractice in handling of PPI claims:

We increased our compliance resource and continued to carry out a comprehensive programme of audits of CMCs operating in the financial products and services market (primarily PPI) to ensure that claims are being processed in accordance with the rules. We also monitored this sector closely in relation to their marketing practices, their engagement with clients, and their handling of customer complaints.

Ensuring compliant marketing:

Engagement with the primary enforcement authorities (ICO and Ofcom) was stepped up to address the problem of unsolicited calls

and texts in relation to PPI and accident claims services. We met regularly and developed a robust strategy to share intelligence, target, investigate and take firm enforcement action against CMCs engaged in non-compliant marketing. The ICO took part in some of our audits of CMCs and Ofcom began sharing Telephone Preference Service (TPS) complaints data with us.

Unauthorised activity:

We took action to prevent several businesses from providing claims services without authorisation, and ensured that they applied for authorisation where appropriate. We also commenced criminal investigations where the unauthorised activity was flagrant and prosecuted one CMC in March 2014 for continuing to operate as a CMC after surrendering their authorisation.

Fair treatment of consumers/complaints handling:

We targeted those CMCs identified to be high risk in respect of taking upfront fees from customers during marketing calls. Those CMCs often failed to provide advance information, misled potential clients during sales calls, failed to provide refunds where due, or handled complaints inappropriately. Where they failed to improve their practices, our enforcement action resulted in their exit from the industry.

Chapter 3 – Our year at a glance

October 2013

We published a mid year review of our performance, reflecting the period April to September 2013

Shailesh Vara MP was appointed Justice Parliamentary Under Secretary of State with responsibility for claims management regulation

We participated in the British Bankers Association complaints seminar on the PPI claims sector and Conduct Rules reforms

We gave evidence to the All Party Parliamentary Group on Nuisance Calls' inquiry into the unsolicited marketing industry.

Kevin Rousell addressed the Motor Accident Solicitors conference on the challenges of regulation

April 2013

The payment or receipt of referral fees in personal injury cases was banned

We banned CMCs from offering inducements to consumers to make a claim

New regulation fees for 2012/13 came into effect. Annual fees and application fees increased

Kevin Rousell participated in the Council for Mortgage Lenders Complaint Seminar panel

June 2013

We started naming online CMCs under investigation or subject to recent enforcement action

The 7,500th business applied for authorisation

August 2013

We cancelled the authorisation of 33 CMCs for a range of rule breaches

May 2013

We jointly reviewed the impact of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 with the Solicitors Regulation Authority

We gathered intelligence from two major banks on PPI claims handling

July 2013

We introduced tighter CMR Conduct Rules to better protect consumers

We published comprehensive guidance, reminding CMCs of their obligations in respect of marketing and advertising

We launched our Annual Report 2012/13

We participated in an Eversheds Complaints Round Table on emerging trends and regulatory reforms

September 2013

We participated in the Department for Culture Media and Sport's round table on nuisance calls, chaired by Communications Secretary, Ed Vaisey MP

We closed down our 1,000th CMC

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... Although less profitable in 2013/14
... PPI claims have remained financially viable and relatively few CMCs have actively explored new or different claims areas in the past year.



Chapter 4 – The claims management landscape



CMC Turnover

1. The total declared industry turnover for the 12 months to 30 November 2013 was £698 million. This was significantly down from the £1.01 billion generated the previous year. This was mainly due to a 41% fall in the number of CMCs operating in the largest claims sector – personal injury, and a slowing down in PPI redress payments this year.
2. For the second year running, the turnover for the financial products and services sector exceeded that of the personal injury sector. Turnover for the personal injury sector fell by 32.7% to £238.2m this year from £354m the previous year. The financial products and services sector also fell by 31% to £453m from £653m the previous year. This represents the biggest drop in turnover for both sectors since regulation began – although this needs to be seen in the context of the record high turnover figures reached last year. We anticipate that this trend will continue into 2014/15.

Figure 1: Industry turnover for 2013/14

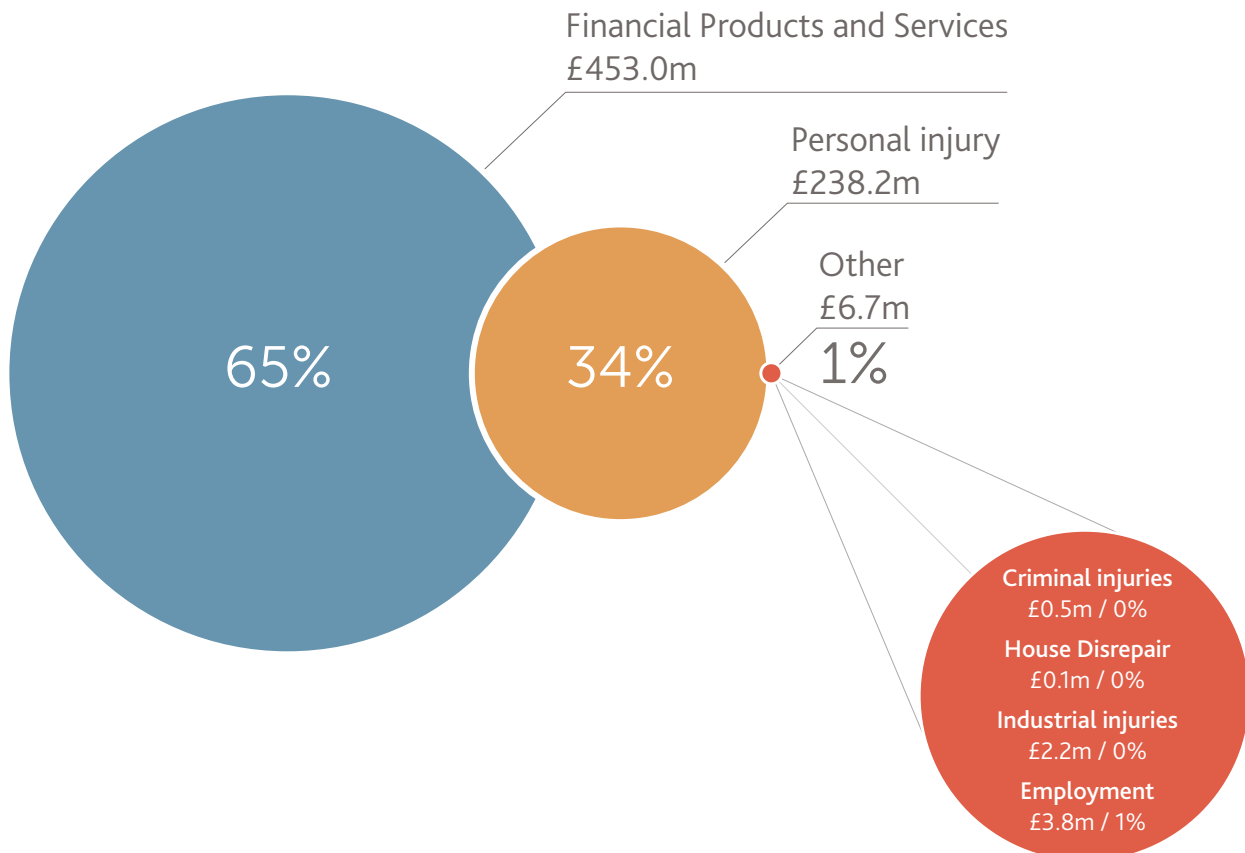
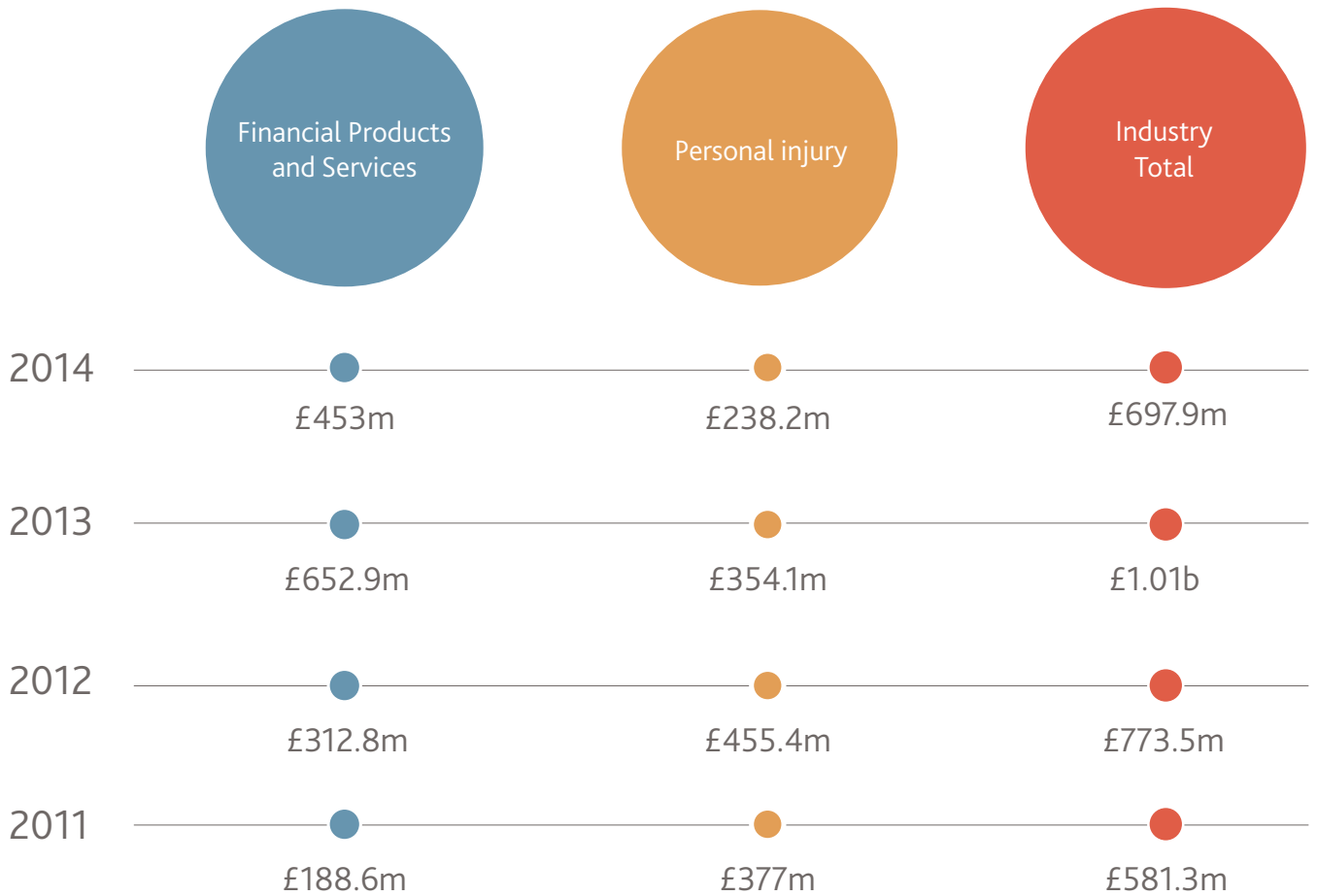


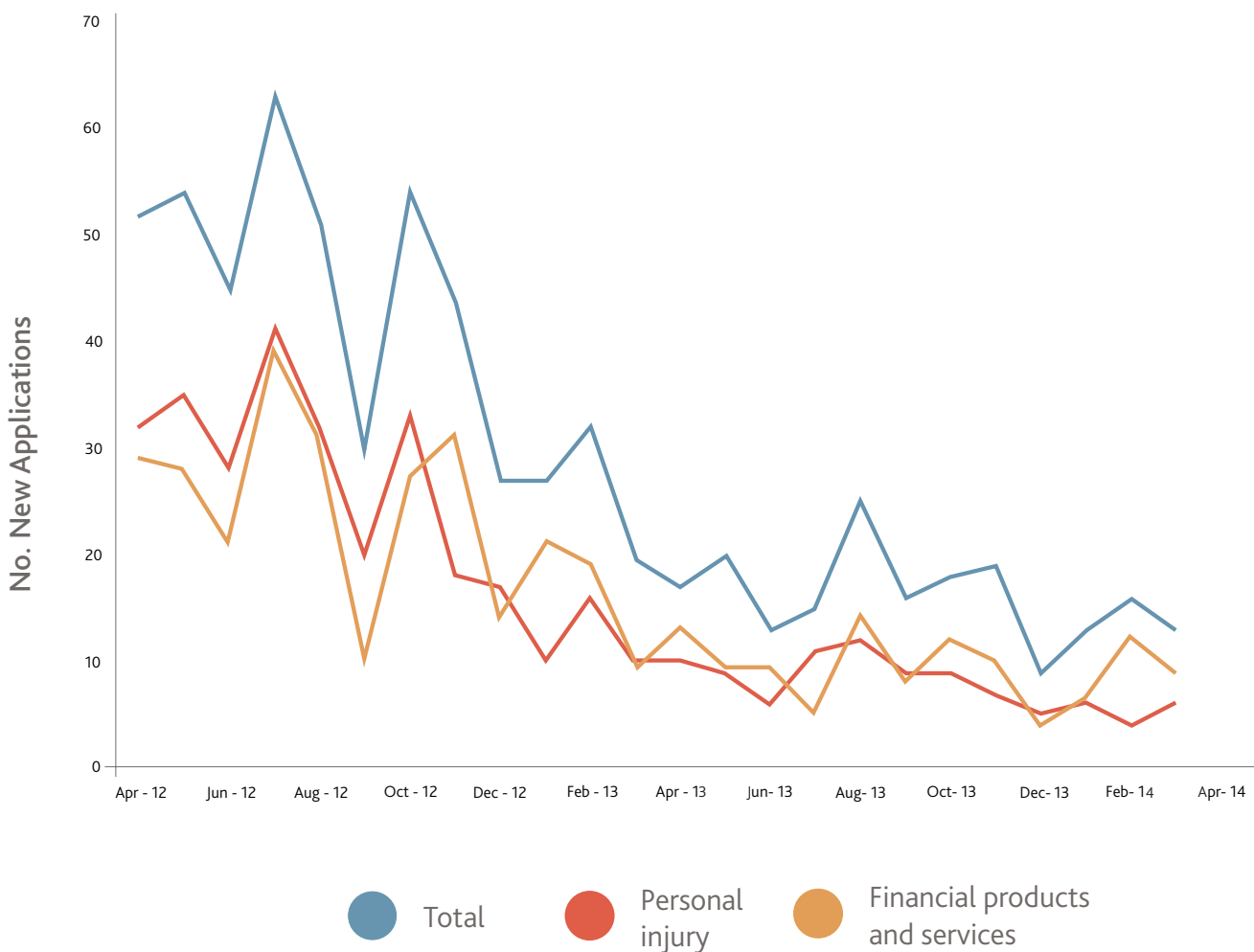
Figure 2: Industry turnover since 2011



Applications for authorisation

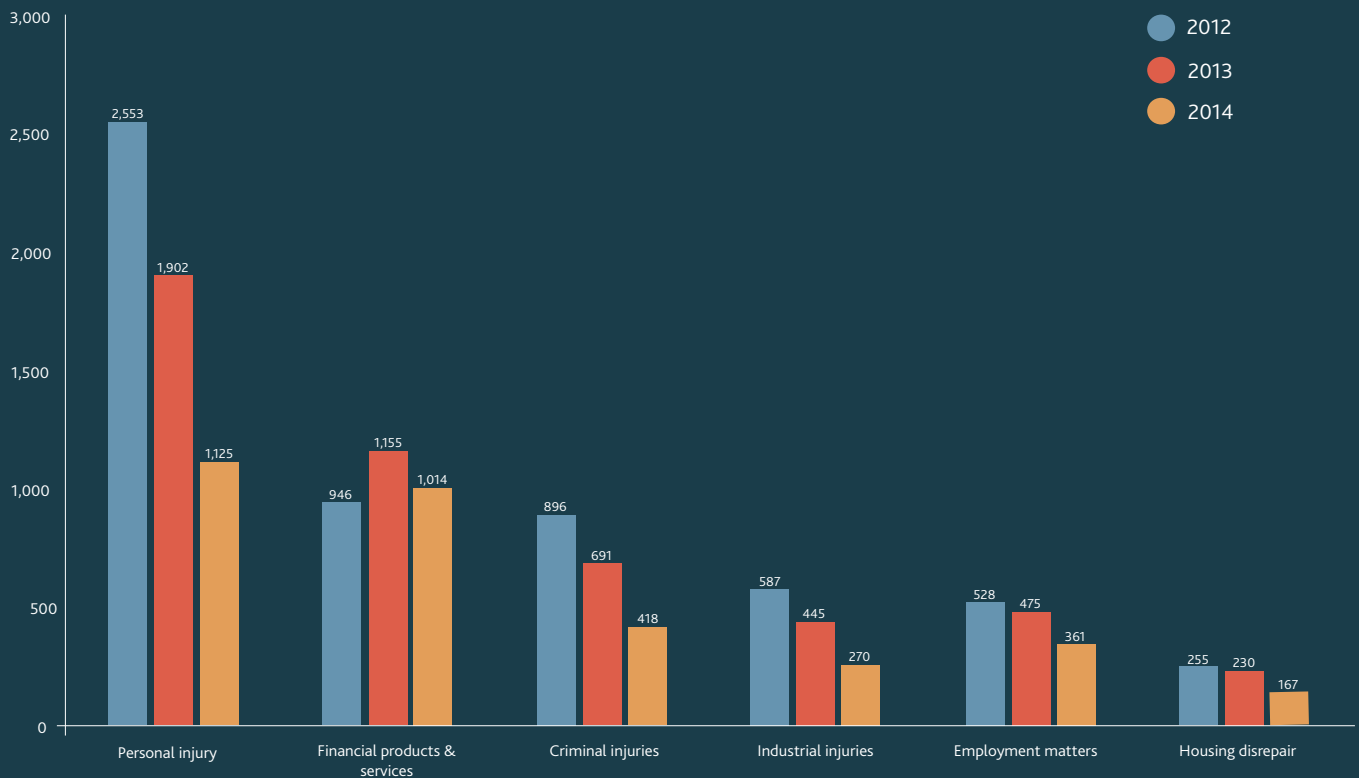
3. New applications for authorisation were also down in 2013/14. We received fewer than 5 applications on average a week – down from 10 a week the previous year. Again, this can be largely attributed to civil justice reforms in the personal injury sector, which have made it a less appealing market to enter, and the PPI market beginning to show signs of having reached its 'peak'.

Figure 3: Monthly applications for authorisation since April 2012



Overview of claims sectors

Figure 4: Total authorised CMCs by sector since 2012

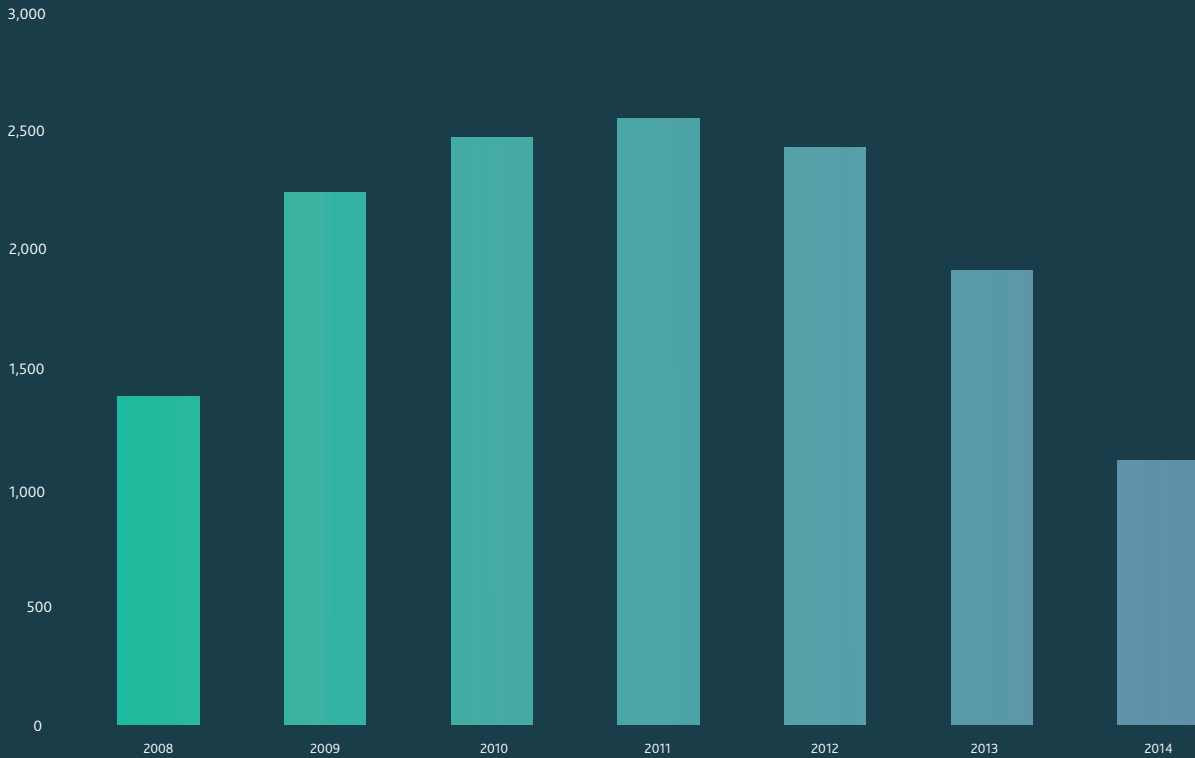


Personal injury

4. While the number of CMCs active in the personal injury market fell significantly this year and turnover decreased for the second year running, this sector remained the largest with 1,125 authorised CMCs at the end of March 2014. Last year we predicted that such a contraction in the market would follow the civil justice and related reforms that came into effect in April 2013, in particular the ban on paying or receiving referral fees in personal injury cases, the ban on offering cash incentives or similar benefits to make claims, and the reduction of costs payable in Road Traffic Accident (RTA) cases.

5. Prior to these reforms, the personal injury sector was made up mainly of small, locally operated CMCs, typically referring road traffic accident claims to solicitors. One year on from the referral fee ban and related reforms, we have started to see the impact of these reforms, particularly on the smaller, locally operated CMCs. Over 1000 CMCs left the personal injury market after they were unable to adapt their business models to make them compliant and/or generate the same income. The medium-to-large sized personal injury CMCs were better able to adapt their models and most had already taken steps to do so before the reforms came into effect.

Figure 5: Personal injury claims sector since 2008



6. The personal injury sector has therefore become a more polarised market. Some of the smaller CMCs which had managed to adapt their business models to make them compliant have been much less reliant on income from personal injury claims and have focused more on other accident management services including vehicle hire, recovery, storage and repair. We anticipate that this sector will continue to contract in 2014/15 as last year's reforms continue to have an impact.

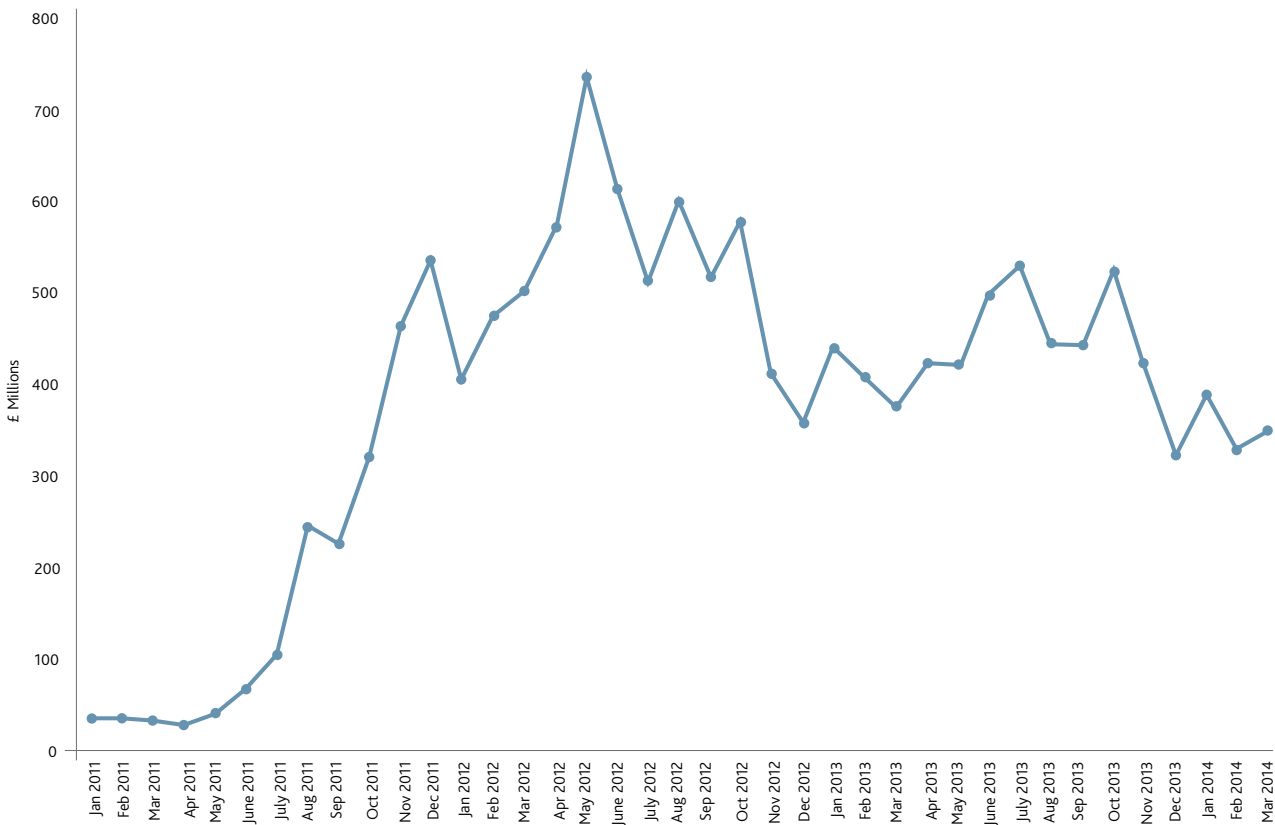
Financial products and services sector

7. The financial products and services sector continued to be dominated by the PPI claims market and remained similar in size to last year

with 1,014 CMCs in operation at the end of March 2014 (slightly down from 1,155 CMCs in 2012/13).

8. With PPI claims appearing to have reached their peak between spring and autumn 2012, turnover in this sector was notably down from 2012/13. This impacted mainly on the 20 largest CMCs which hold a significant market share – over 50% of the total reported turnover. In an attempt to adapt to the changing market some of the larger CMCs, as well as some small to medium sized CMCs, began scaling down their businesses, with some ceasing or outsourcing some functions such as marketing or claims processing.

Figure 6: Monthly Payment Protection Insurance (PPI) redress paid since January 2011



Source: Financial Conduct Authority

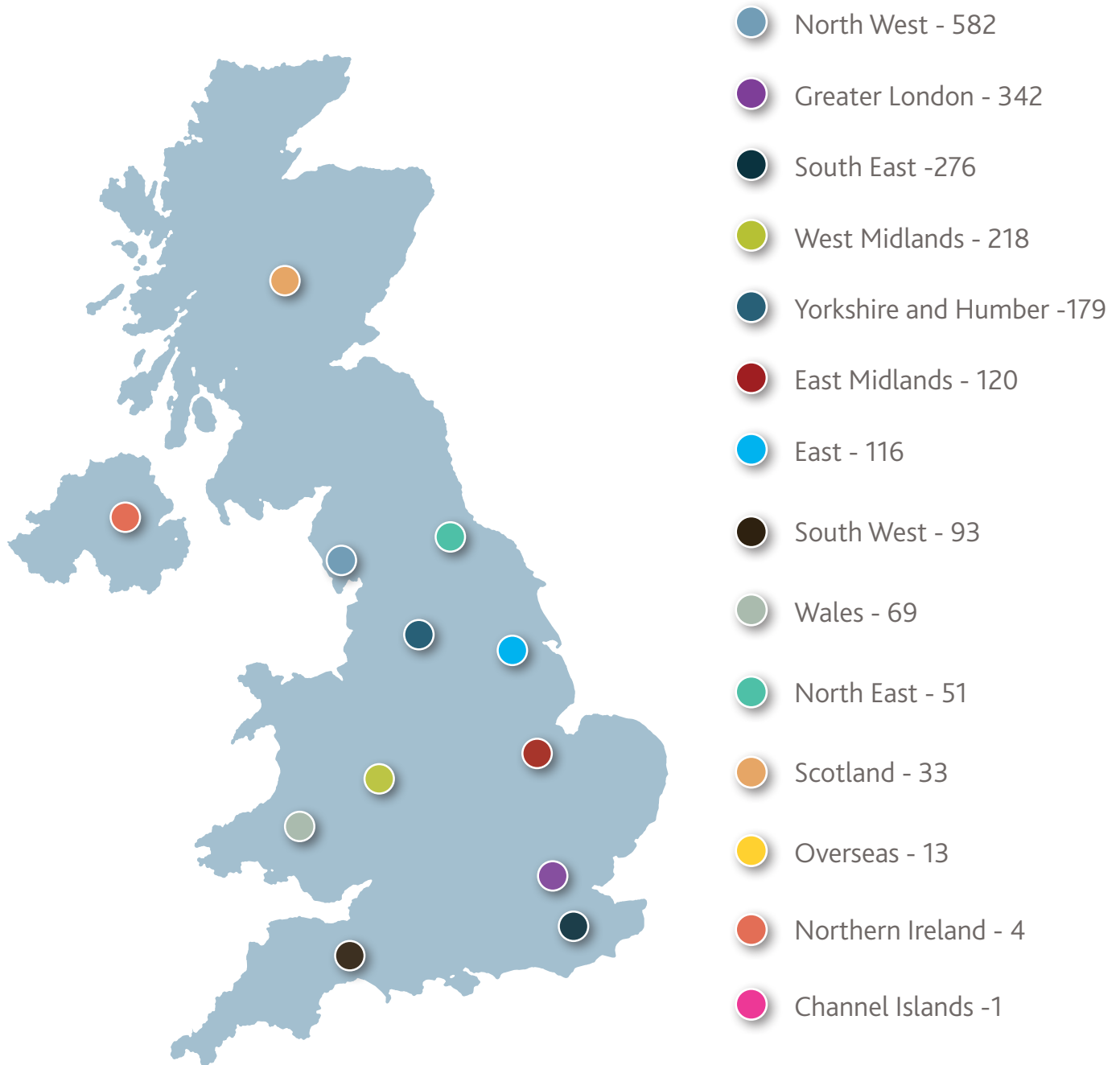
9. Although less profitable in 2013/14 than in 2012/13, PPI claims have remained financially viable and relatively few CMCs have actively explored new or different claims areas in the past year. Some CMCs began looking at packaged bank account claims as they were able to utilise existing client bases, processes and relationships to move into this area. We have seen other CMCs move into other claims fields, including investments and pensions, interest rate swaps and other hedging products. Some CMCs tentatively entered the mortgages claims area but it became evident that these claims were less viable and it has not featured as a significant new claims area.

Other regulated claims sectors

10. The employment sector remains the most active of the other four regulated claims sectors. However, still fewer than 40 of the 453 CMCs in the sector generated a turnover above £20,000, with others operating at a very low level or on a virtual pro bono basis. The other three smaller claims sectors are criminal injuries, industrial injuries disablement benefit and housing disrepair, from which there has been very little activity in the claims management market this year.

Geographical distribution of CMCs

11. As has traditionally been the case, the highest concentration of CMCs remained in the North West region. The map below illustrates the current geographical distribution of authorised CMCs with 13 CMCs based outside of the UK.



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We are now dealing more quickly with requests for advice and complaints, following improvements to our contact centre.



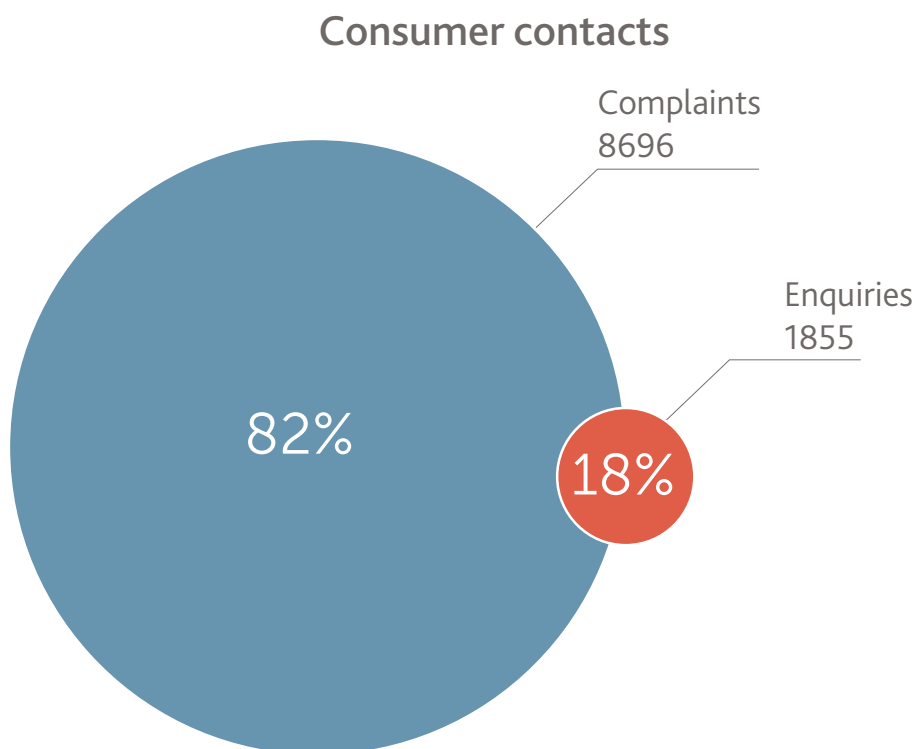
Chapter 5 – Contacts



Consumer contacts

1. We continued to deal with a significant number of complaints and enquiries this year, with 10,551 consumers contacting us with questions, concerns and complaints about the way they had been treated by a CMC. The vast majority of contacts (82%) we received this year were classed as complaints – 7% more than the year before.

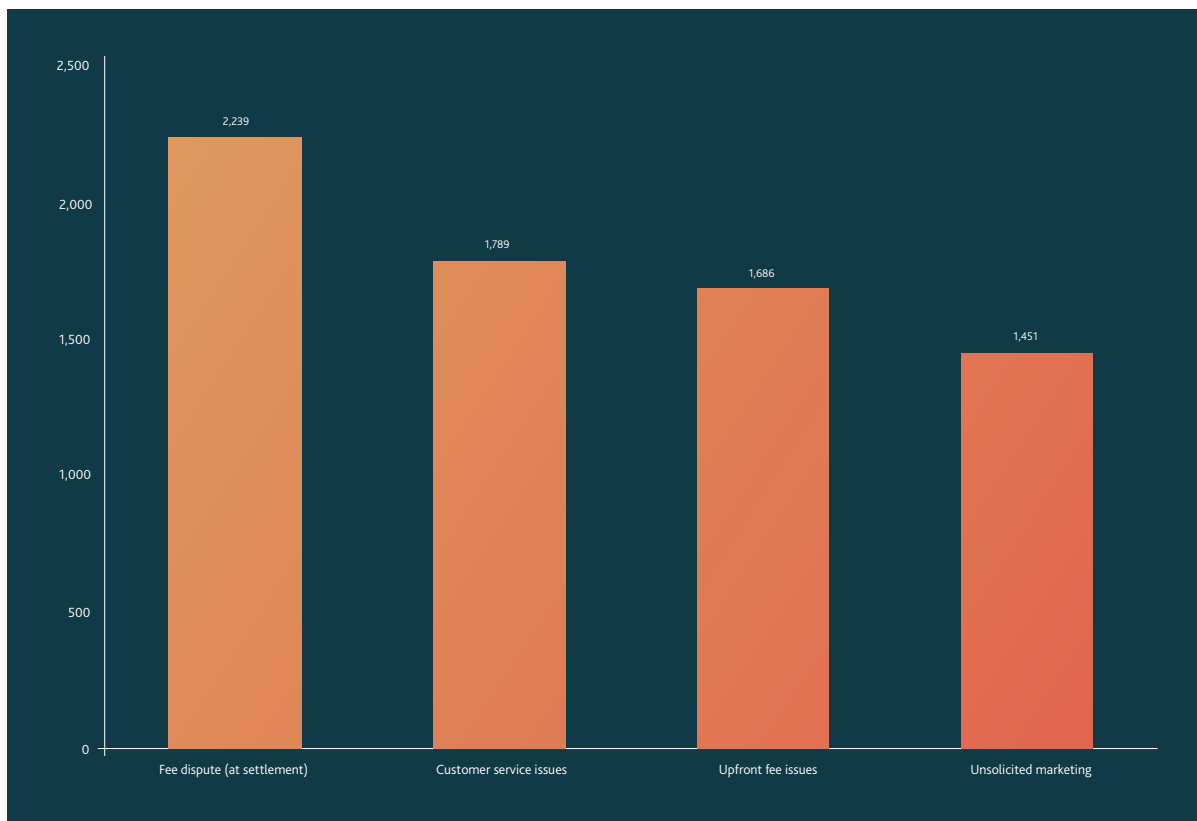
Figure 7: Types of consumer contacts – 2013/14



2. Most contacts we received during 2013/14 were by telephone (72%) and almost all (93%) concerned CMCs operating in the financial products and services sector (primarily PPI). Around 30 CMCs accounted for 50% of those contacts, of which 8 are no longer authorised. Although personal injury is the largest sector it accounted for only 6% of complaints, and the remaining four sectors – 0.4% of complaints.

3. The top issues consumers raised with us during 2013/14 concerned the following:
- The level of fees charged at the conclusion of a PPI claim. In many cases the consumer is unhappy with the fee, despite having agreed it in their contract with the CMC.
 - Poor customer service, such as the failure to refund a client within the cooling-off period or handle a complaint within set deadlines.
 - Charging upfront fees before going on to provide a poor service. It is common practice in these cases for the CMC to have taken payment over the telephone during a sales call.
 - Unsolicited calls and text messages marketing PPI or accident claims services. While most contacts of this nature are at most a nuisance, some CMCs engage in high pressure selling or misleading marketing.

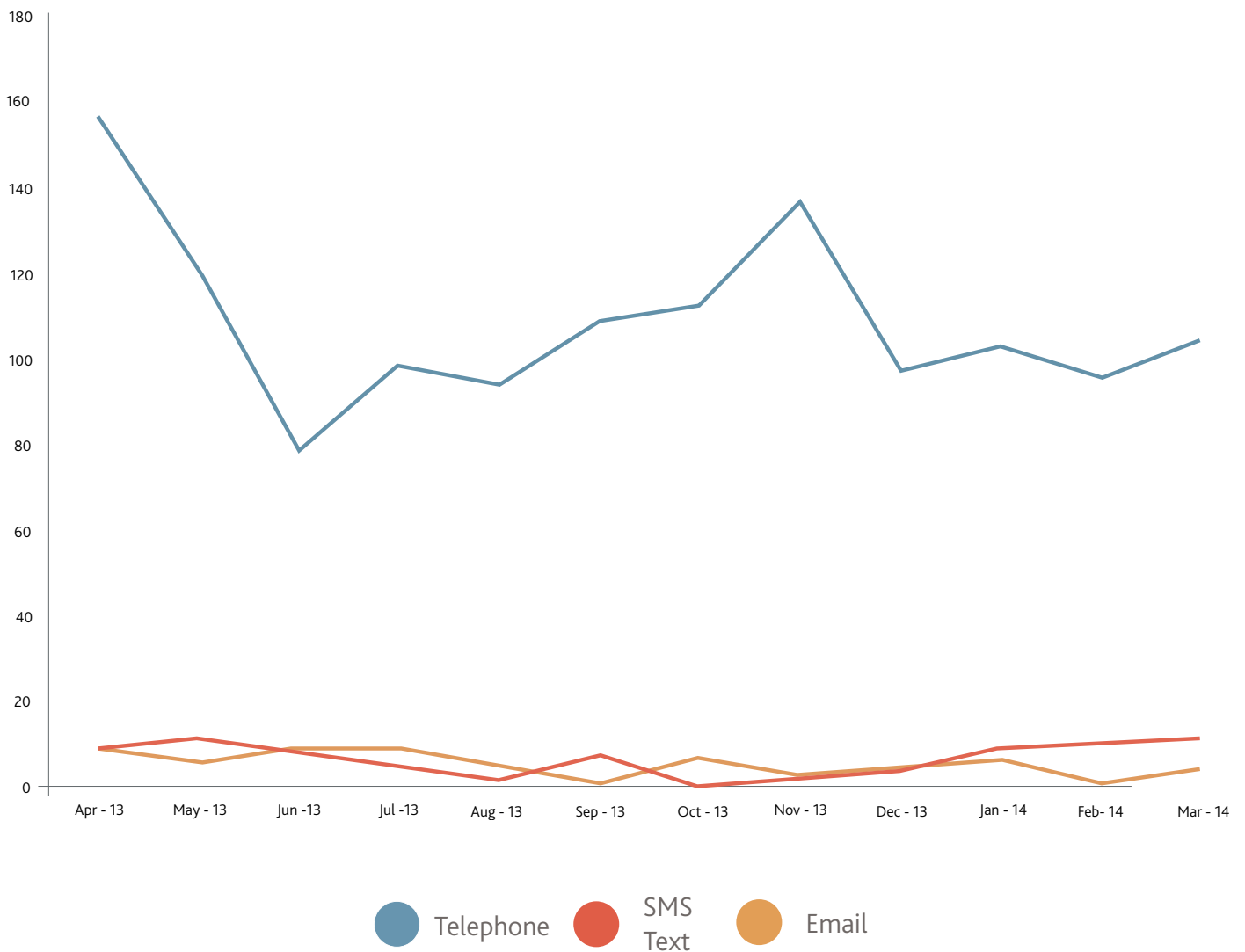
Figure 8: Types of consumer contacts – 2013/14



4. We are now dealing more quickly with requests for advice and complaints, following improvements to our contact centre. We recruited more staff, upgraded our IT systems to enable more detailed recording of the contacts we receive, and introduced a more sophisticated switchboard system. With nuisance calls and texts remaining

an area of concern, in March 2013 we also started to collect more detailed complaints data on this area for the first time, which is helping with our investigations and regulatory action. Over the course of the year we saw a reduction in the number of consumer complaints about all types of unsolicited contacts.

Figure 9: Consumer complaints about unsolicited contacts – 2013/14



5. We provide practical advice to consumers who contact us about a CMC and where there is the opportunity to highlight areas of concern and make recommendations for improvements to CMCs, we have done so. We have used individual complaints to drive forward co-ordinated action, across the CMR Unit. We also focus on issues raised through contacts received by other organisations from the different sectors – for example, we regularly meet with the Financial Ombudsman Service to share intelligence, target and investigate those CMCs which raise the most concerns/pose the greatest risk.
6. We deal directly with most of the consumers who contact us, however there are occasions when we signpost them to other bodies better suited to address their concerns. When consumers contact us about unsolicited calls and text messages for example, we obtain as much information as we can and decide whether to refer them to the ICO and/or Ofcom – the regulators with primary enforcement responsibility. The ICO is responsible for regulating live or automated direct marketing calls, emails and SMS text messages, and Ofcom is responsible for silent and abandoned calls.
8. Other types of contacts include those from insurers and solicitors about malpractice in the personal injury sector and from individual CMCs seeking advice. It is often during the renewal of authorisation period when CMCs are required to provide us with information, or when a business is going through the application process, that we are approached by CMCs for such advice. Advice is also sought by CMCs on how to comply with the conduct rules. Last year we provided advice to CMCs on 5,397 occasions, down from 9,122 the previous year. This is likely to be due to the decline in the number of businesses seeking authorisation and an increase in CMCs surrendering their authorisation.

Complaints handling by CMCs

Contacts from the financial services industry and others

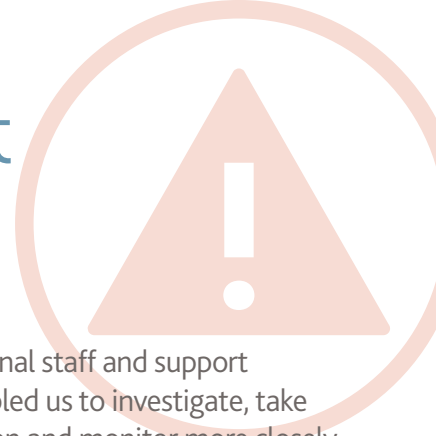
7. This year we received 605 contacts from the financial services industry, a 42% decrease on 2012/13. These contacts often fall into two categories:
 - individual complaints from banks, building societies, independent financial advisers and finance companies about the conduct of a CMC; and
 - regular exchanges of specific intelligence or aggregated data about CMCs' activities with the major banks and representative bodies (such as the British Bankers Association, Building Societies Association, Finance and Leasing Association, UK Cards Association etc.). We will continue to build on these constructive working relationships to help us identify and tackle potential systematic failings in the way CMCs handle financial claims.
9. Most customers of CMCs contact us due to a CMC's inadequate complaint handling procedures. For example, some CMCs might fail to treat a complaint received by telephone as a 'complaint' for the purposes of their complaint handling procedure. We have warned several CMCs about this particular issue during the course of the year and will continue to take action against CMCs where we identify potential failings.
10. CMCs having adequate processes in place to identify and handle complaints will become even more important as we prepare for the Legal Ombudsman to extend their jurisdiction to include consumer complaints against CMCs. We do not publish complaints data, but once the Legal Ombudsman's remit is extended, they plan to publish data about the CMC complaints referred to them on an annual basis.

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We have been actively involved in several operations which have resulted in convictions for issues such as “cash for crash”, other insurance fraud and theft of data (including details of accident victims).



Chapter 6 – Enforcement



Our approach

1. When a CMC has breached the conduct rules, our enforcement aim is to bring them to compliance and to protect the interests of consumers and the general public. Robust enforcement – ranging from imposing conditions to suspending or cancelling a CMC's authorisation – is sometimes the only means of ensuring that those interests are protected. This is particularly the case where vulnerable clients are involved, and in the small minority of cases where CMCs will not, or cannot comply with the rules.
2. This year we cancelled the authorisation of 198 CMCs; suspended the authorisation of two; and imposed conditions on one. We also issued warnings to 240 CMCs; formally audited 152; and undertook visits to 1,029.

Tackling bad practice

3. The key regulatory issues that have driven our enforcement focus over this year remain centred on the two largest sectors – personal injury and financial and products services. The following six areas of CMC activity highlight the enforcement action taken.

Mishandling of PPI claims

4. The practices of some CMCs specialising in financial claims, particularly mis-sold PPI, have continued to concern consumers and the financial services industry. We have made significant progress in taking forward a range of measures to improve compliance and strengthen enforcement action in this sector. These include:
 - Increasing the auditing and related compliance capacity of our specialist financial products and services (FPS) enforcement

team with additional staff and support services. This enabled us to investigate, take enforcement action and monitor more closely the sector's activities.

- Developing a more robust ranking system for identifying medium-to-high risk CMCs for audit, based on criteria such as turnover, number of complaints we receive, enforcement history and live claim numbers.
 - Carrying out a full programme of follow-up visits within a few months of an initial audit to ensure that CMCs have acted upon our advice or warning where significant compliance issues were identified.
5. The FPS enforcement team have developed and refined the way we perform our regulatory role, with more active engagement with CMCs and tailoring resources to provide most intensive oversight where it is most needed. We conducted a review of the PPI claims market (which included a survey of over 200 CMCs) and used the findings and other intelligence to further assess priorities, inform us of changes within the market and identify which CMCs we needed to monitor most closely. One significant outcome of this enforcement approach has been the fall in the proportion of claims being submitted by CMCs to financial services providers where no PPI sale exists or no customer relationship existed.
 6. We have also been able to identify and tackle specific issues related to the PPI claims sector as they arose during the year, as illustrated in the case study below.

Case Study: PPI audit

During an audit of a large and high profile CMC, we identified several rule breaches. Clients were receiving incomplete paperwork as a consequence of the CMC failing to recognise the difference between an alternative/comparative redress offer and a regular offer. The CMC was also putting clients' cases at risk by submitting cases to the Financial Ombudsman Service outside the six month time limit. We issued a warning and commenced an investigation which resulted in the CMC taking remedial action to address the breaches, including making significant changes to its processes.

7. Specific issues such as these have the potential to cause significant consumer detriment and have demonstrated failings in some CMCs' ability to properly handle these claims. We published a special PPI bulletin for CMCs in December 2013 which highlighted these failings and reminded CMCs of their obligations. Investigations and warnings related to these issues also ensured that the CMCs concerned took the necessary remedial action. Such enforcement action helped to avoid such issues developing into major areas of concern.
8. The table below shows the enforcement action we have taken to address malpractice in the FPS sector during 2013/14:

ACTIVITIES	12 MONTHS TO 31 MARCH 2014
Authorisation suspended	1
Authorisation cancelled	42
Investigations commenced	35
Audits conducted	112
Warnings issued	144

9. We have continued to work closely this year with the Financial Conduct Authority (FCA), FOS, and the financial services industry to identify emerging claims areas and any associated conduct risks. This included looking closely at how CMCs have been adapting to last year's reforms, potential shifts in the PPI dominated financial claims market, and using more data and intelligence to head off risks before they materialise.

Nuisance calls and texts

10. Taking action on unsolicited calls and texts has continued to be a key priority. Unsolicited contacts cause huge frustration to the public and often relate to PPI or accident claims, as well as a wide range of sectors outside our regulatory remit such as energy, loft insulation, debt management, and pensions. The ICO and Ofcom are the regulators with primary enforcement responsibility for tackling abuses across all sectors. Annex A sets out a full list of regulatory responsibilities in respect of direct marketing.
11. There are a number of specific challenges in taking enforcement action against organisations making nuisance calls. In particular, in some instances it can be difficult to identify the organisations generating the calls because many choose to hide their identity by withholding their number or presenting invalid numbers.
12. Coordinated action is essential and we have continued to work closely and share intelligence with the ICO and Ofcom. This year we have carried out joint audits of CMCs with the ICO and published an online consumer guide to preventing nuisance calls and messages, in collaboration with Ofcom, other regulators and consumer groups. We also contributed to the Department for Culture, Media and Sport's Nuisance Calls Action Plan¹, involving all relevant regulators and joined a taskforce² led by consumer group, Which? to review issues concerning consent and lead generation. The taskforce is due to report back to the Government in late 2014.
13. The practices of some CMCs engaged in lead generation and the trade of personal data has become a concern and we have increased the

capacity of our specialist marketing compliance team to enable us to take more action in this priority area. The table below shows the action taken by our specialist marketing compliance team during 2013/14:

ACTIVITIES	12 MONTHS TO 31 MARCH 2014
Audits	45
Imposed conditions on authorisation	1
Warnings	5
Investigations	5

14. In addition to our comprehensive audit programme, we have used 'mystery shopping' to help identify non-compliant marketing, the sources of CMCs' data and how data is bought and sold between businesses. We also consulted this year on proposals to tighten further the Conduct Rules, including strengthening existing requirements to ensure that any data or leads CMCs receive through direct marketing are legally obtained.

Case Study: Unsolicited text messages

We investigated a CMC that had sold personal data to an undercover reporter. A joint investigation with the ICO found the CMC to be in breach of Data Protection Act 1998, having flooded mobile phone users with millions of spam texts without their consent over the past four years. The CMC was also found to have breached the Advertising Standards Authority's Codes of Practice. We acted quickly to impose restrictions on the CMC's authorisation, requiring them to provide regular detailed updates on their marketing activities. This action enabled us to monitor their future conduct more closely and ensure they remained compliant.

1 www.gov.uk/government/news/nuisance-calls-action-plan-unveiled
 2 www.which.co.uk/news/2014/03/which-to-lead-task-force-on-nuisance-calls-361186/

Problems with fees and contracts

15. Compared to previous years, relatively few CMCs now charge consumers a fee prior to providing a service – nonetheless the conduct associated with this practice can present a high-risk to clients. Consumers have told us that some CMCs have given them misleading information over the telephone and/or they were subject to high pressure selling tactics. Some consumers have had payment taken from them without authorisation and where they have given a CMC permission, multiple payments have been taken. Some consumers have also found it difficult to cancel their agreement with a CMC or obtain a refund even when requested within the cooling off period. A significant proportion of those contacting us about these practices can be classed as vulnerable.
16. These issues can clearly cause significant detriment and distress for consumers, and we monitor CMCs that charge upfront fees very closely. Where there is evidence of rule breaches we bring the CMC to compliance through advice, warnings or imposing restrictions so that they can no longer charge upfront fees. Last year's conduct rule changes, which introduced the requirement for CMCs to obtain a signature and agree a contract in writing before taking payment, have helped to bring greater clarity about fees and withdrawal and cancellation rights.

Case study: Problems with up-front fees – misleading information

A CMC misled consumers by charging an up-front fee for a 'full financial audit' which was never carried out. Following investigation, we found that no such service was provided and the only activity undertaken was a referral of the claim to another CMC. Evidence of misleading statements as to the service offered were found in call scripts, websites and marketing materials. We took action by requiring the immediate removal of such statements and replacing them with clear, transparent, accurate information about their service. Shortly after this action, the CMC exited the market.

Enforcing ban on referral fees

17. The Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) introduced a ban on payment and receipt of referral fees for personal injury cases from 1 April 2013. This reform and related costs reforms have been recognised as the single most significant development in the personal injury claims management market since regulation began in 2007.
18. We have been closely monitoring how the claims industry is adapting to the ban, making sure CMCs are following the rules, and working closely with relevant regulators such as the Solicitors Regulation Authority (SRA) and the FCA, sharing information and raising issues as they emerge. Between January 2013 and March 2014, we inspected the practices of more than 900 CMCs across England and Wales, targeting cities and towns with a high concentration of small to medium sized CMCs.
19. We reviewed the business models of just under 500 CMCs and identified issues with around 160. We often require further information from CMCs due to the complexities of the models being used and have advised and issued warnings to 65 CMCs for failing to provide information about their business models. Whilst we are committed to working constructively with CMCs, we will take enforcement action against those CMCs that fail to address the issues associated with referral arrangements.
20. More than 400 CMCs surrendered their authorisation prior to the ban and another 200 surrendered within 3 months of the ban taking effect. By March 2014, over 1,000 CMCs had left the personal injury market. We are monitoring related unauthorised trading activity, having found examples of CMCs who have surrendered their authorisation but have continued to provide claims management services, including referring claims to solicitors and advertising for business.
21. Some CMCs have worked with solicitors to operate in compliance with the ban and we have issued advice to ensure CMCs are fully aware of how to remain compliant. We have kept a number of CMCs under review throughout the year, with ten businesses being audited between December 2013 and March 2014.

Case Study: Referral fee ban

A CMC believed it had adapted its practices to comply with the ban on referral fees when in fact it was in breach. Following an investigation, we found that the CMC was receiving a fee for referring details of potential claimants to a nominated solicitor before the claimants could contact the solicitor themselves. We instructed the CMC to cease this practice and to provide details of a revised scheme if they wished to remain authorised. The CMC took the necessary remedial action and we have continued to closely monitor their activity to ensure that their new arrangements remain in compliance with the ban.

Criminal activity – personal injury fraud

22. Our work in this area continues to primarily involve providing assistance, support and information to other law enforcement agencies, in particular the Insurance Fraud Bureau and the City of London Police's Insurance Fraud Enforcement Department. This work has been instrumental in the successful disruption and prosecution of criminal groups and networks involving CMCs.
23. We have established information sharing agreements with over 20 police forces and regularly produce evidence packages for police forces throughout the country. We have been actively involved in several operations which have resulted in convictions for issues such as "cash for crash", other insurance fraud and theft of data (including details of accident victims).

Case study: Cash for crash scam disrupted

We provided a police force with evidence in a long running investigation into a 'cash for crash' scam run by the directors of an authorised CMC. In resulting court proceedings the directors were jailed for more than eight years for submitting more than £120,000 worth of fraudulent insurance claims. In total 44 people were sentenced for their part in the scam.

Enforcing ban on offering inducements

24. On 1 April 2013 we introduced a ban on CMCs offering financial rewards or similar benefits to potential claimants as an inducement to make a claim. Prior to the ban it was commonplace for CMCs to target consumers through advertisements which offer customers incentives such as cash, televisions, mobile devices etc for signing up to use their services. Leading up to the ban we issued guidance and advice to CMCs and followed this up post-ban by monitoring their advertising to ensure compliance. To date, we have identified issues with 10 CMCs. Each CMC was warned about their conduct and took remedial action to comply with the ban.

Tribunal appeals

25. Decisions taken by the Claims Management Regulator to refuse an application, to vary the conditions, suspend or cancel a CMC's authorisation can be appealed. During 2013/14 two appeals were made to the First-tier Tribunal against our decision to take enforcement action in accordance with Regulation 46 of the Compensation (Claims Management Services) Regulations 2006. Both of these appeals were eventually withdrawn.

Unauthorised activity

26. It is a criminal offence to provide regulated claims management services without authorisation unless exempt. It is also an offence to claim to be authorised when not authorised. We currently receive more than 30 reports about unauthorised activity each month from a range of sources including:
 - Audits of authorised CMCs where we identify they have received data/leads from unauthorised sources
 - Financial services providers or other organisations on the defendant side of claims who find that the CMC does not appear on our authorised business register
 - Contacts from consumers who wish to check if a CMC who has contacted them is authorised

- Monitoring new applicants and reviewing surrendered and cancelled CMCs to see if they are carrying out claims activity before or after authorisation

27. This year we formed a specialist team of investigators who are tackling unauthorised activity in a number of ways:

- Engaging with businesses that have been mistaken about the requirement for authorisation. In these circumstances we advise them as appropriate to either apply for authorisation and/or cease providing regulated claims management services.
- Working with internet service providers to secure the removal of websites which illegally market claims services
- Investigating the business concerned with a view to bringing legal proceedings

Where we find that a business is providing claims management services without authorisation, we always take action to ensure the business ceases any regulated claims management activity immediately.

Case Study: Prosecution for unauthorised trading

A CMC that specialised in personal injury claims surrendered its authorisation, but continued to provide claims management services, including referring claims to solicitors and advertising for business. When the solicitors with whom the CMC had contracted began to question its authorisation status, the CMC made false statements that it was authorised by forging emails purported to be from the CMR Unit. We took prosecution action against the director of the CMC who pleaded guilty and was convicted of 18 offences in total under the Forgery and Counterfeiting Act 1981, Fraud Act 2006 and Compensation Act 2006. The director received a custodial sentence of 24 weeks (suspended for 12 months) with the requirement to complete a Community Order of Unpaid Work for 250 hours, and to pay prosecution costs and a victim surcharge.

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Fees increased in 2013/14 to take into account the predicted contraction of the personal injury sector following implementation of the referral fee ban.

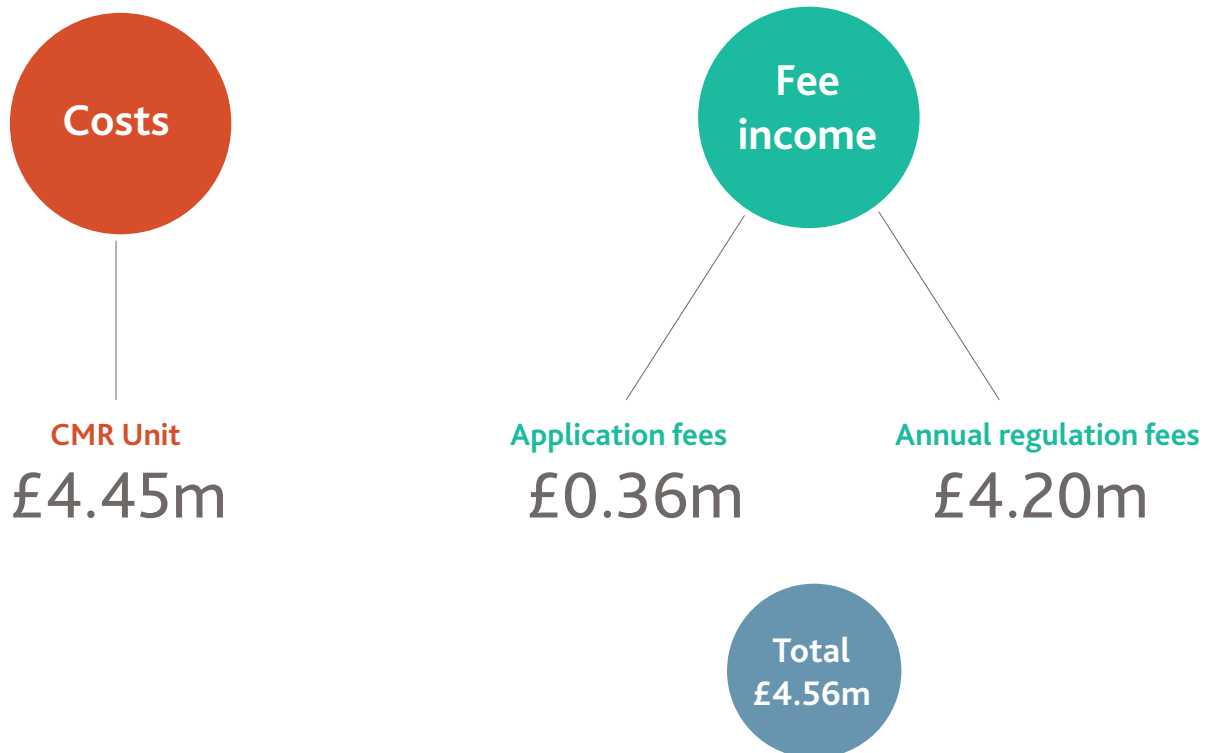


Chapter 7 – Funding regulation

Costs and income

1. The operating costs of the CMR Unit are financed by regulation fees charged to CMCs (application fees and annual fees). The number of CMCs trading and level of business can be difficult to predict as the claims management market is typically volatile – being subject to changes in the economy, legal judgments and policy changes such as reforms to the personal injury claims process and to legal costs and funding.
2. Fees increased in 2013/14 to take into account the predicted contraction of the personal injury sector following implementation of the referral fee ban and the ban on offering inducements to make a claim. Fee income was supplemented by the continued high level of mis-sold PPI claims, which resulted in higher CMC turnover figures than estimated at the beginning of the financial year (and on which the fees levels over 2013/14 were based). Full costs recovery was achieved in 2013/14 and any additional fee income is used to fund compliance and enforcement activities, and increase resources in priority areas.

Costs and fee receipts summary 2013/14



3. Further contractions in the industry are likely to continue in 2014/15, and this will have an impact on fee income. We anticipate that a significant number of CMCs in the personal injury sector will adjust their business plans, and the number of market exits is not expected to continue at the rate seen during 2013/14. An analysis of the industry and the effect on costs and income led us to propose a number of adjustments to 2014/15 fee levels. These proposals were consulted on in the normal way, as set out below.

Determining fee levels

4. The fee levels paid by CMCs are reviewed and consulted on each year to ensure that they are proportionate and regulation is self financing. A consultation paper³ published in November 2013 set out proposals for fee levels for 2014/15 that would:
 - Hold the existing application fee at £1,400
 - Increase the current caps on annual regulation fees by 10% to £55,000
 - Increase the fee uplift for those CMCs operating in the financial products and services sector by approximately 15% to 0.145% of annual turnover (capped at £55,000)
 - Increase the annual regulation fee pay scales by 10% for CMCs under the flat-fee threshold of £142,000
 - Increase the percentages of annual turnover levied above the £142,000 threshold
5. The consultation paper was issued to all regulated CMCs (at that time a total of around 2,300 CMCs) and other interested parties across the various claims sectors. 33 responses were received, 30 of which were from regulated CMCs. Having considered the responses, the proposed increases were implemented with effect from April 2014.

Annual fee collection

6. The process for collecting 2014/15 regulation fees from CMCs commenced in February 2014. Further updates and changes to the process have seen a continuation of the previous year's improvements in the efficiency of fee collection. Significant factors included the following:
 - On-line renewal has been further streamlined and is designed to speed up the process for CMCs.
 - The need to increase fee levels was well publicised and acted as an incentive for CMCs to pay the new fees at an early stage. CMCs that did not complete the process by the deadline were promptly reminded and pursued to ensure a response and settlement of any outstanding fees.

3 2014/15 CMR consultation on regulation fees paid by CMCs: <https://www.gov.uk/government/consultations/regulation-fees-paid-by-claims-management-companies>

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There continues to be significant media interest in the claims management industry, with coverage ranging from national press, television consumer outlets... and specialist media...



Chapter 8 – Communications and partnerships



Communications

1. Over the past year we have made full use of a range of communication channels to inform, assist and exchange views with the wide variety of organisations with an interest in our work. Effective and regular communication with businesses, consumers, stakeholders and the media remains an important element of articulating our aims, role and achievements.

Targeted communications

2. We continue to publish regular e-bulletins for CMCs, providing specialist advice and guidance on a range of issues. This year our bulletins covered topics such as PPI claims handling, marketing and advertising, lead generation, forthcoming reforms, new regulation fees, and complying with the bans on referral fees in personal injury cases and offering inducements.

Conferences and seminars

3. Kevin Rousell, the Head of Claims Management Regulation, has attended and given presentations at a number of conferences and seminars over the past year, including addressing the following:
 - British Bankers Association (BBA) Complaints Seminar (October 2013)
 - All Party Parliamentary Group on Nuisance Calls: Oral Evidence Sessions (October 2013)
 - Motor Accident Solicitors (MASS) Conference (October 2013)
 - Westminster Legal Policy Forum Seminar On Claims Management (November 2013)
 - All Party Parliamentary Group on Insurance and Financial Services (November 2013)
 - All Party Parliamentary Group on Debt and Personal Finance (March 2014)

Web presence

4. Over the course of the year we made several updates and additions to our website and our CMC dedicated web pages were substantially updated to improve the user experience. This included the launch of a new web page in September 2013 centred on the regulation fees CMCs are required to pay. In an effort to bring more transparency to our decision making, in June 2013 we began publishing online the most recent enforcement decisions and live investigations, as well as quarterly updates on our work to tackle malpractice in priority areas of concern. This is part of ongoing work to raise industry standards and ensure consumers and organisations are better informed. We have already seen instances where CMCs have taken immediate action to address a concern following their business being named online as under investigation.
5. In June 2014, our section of the Justice website was one of hundreds of government websites to move to www.gov.uk. We spent the last quarter of 2013/14 preparing for the transition. Visit our new CMR homepage at: www.gov.uk/government/groups/claims-management-regulator

Guidance and advice

6. This year we took forward a major exercise in refreshing our guidance for CMCs on a wide range of matters such as marketing and advertising, PPI claims handling, and complying with the referral fee ban. We also refreshed some of our consumer guidance to reflect key changes made to the conduct rules in July 2013, in particular the requirement for CMCs to obtain a signature and agree a contract in writing before taking an upfront fee.

7. We collaborated with key stakeholders to produce joint guidance on topical issues. In February 2014 we produced a joint guide with the FOS, FCA and Financial Services Compensation Scheme (FSCS) on how consumers' complaints should be handled where they choose to use a CMC to make a financial services complaint. The guide was aimed at consumers, financial service providers and CMCs. We also worked in partnership with Ofcom, other regulators and consumer groups to publish an online consumer guide to tackling nuisance calls and messages in December 2013, which has been viewed online over 50,000 times.

Working with other organisations

8. We have constructive working relationships with a range of stakeholders which include other relevant regulators, complaint handlers, industry bodies, representatives of CMCs, consumer groups and other interested organisations. We have continued to build on these relationships to help tackle problematic CMC practices, and where appropriate, assist some stakeholders, particularly in the financial services industry, with managing their relationship with CMCs.
9. The majority of our stakeholders are members of our Regulatory Consultative Group (RCG), a group established from the beginning of regulation to ensure effective involvement of interested parties in the development and operation of the regime, which continues to meet quarterly to review progress. A full list of RCG members is set out in Annex B.
10. We also have separate regular liaison meetings with a number of organisations which helps to facilitate the exchange of intelligence on CMC activities and support the action we are taking on priority areas of concern. These include the ICO, Ofcom, Solicitors Regulation Authority, Insurance Fraud Bureau, the British Bankers Association, Building Societies Association, Financial and Leasing Association, UK Cards Association and consumer groups such as Which? and Citizens Advice.

Media stories/coverage

11. There continues to be significant media interest in the claims management industry, with coverage ranging from national press and television consumer outlets such as BBC Rip Off Britain, to specialist media interest in trade magazines and online.
12. The majority of media coverage relates to mis-sold PPI claims, unsolicited marketing calls and texts and fraudulent accident/ personal injury insurance claims. There has also been an increased interest in how the claims management regulator is engaging and working with other regulators such as the ICO and Ofcom to tackle the ongoing problem of unsolicited calls and texts.
13. By engaging effectively with key media, the Ministry of Justice (MoJ) press office has been able to communicate the role of the CMR Unit, the main issues affecting the industry and the latest regulatory reforms. The key messages for 2013/14 centred on:
 - Raising consumer awareness about the changing landscape of the claims management industry
 - Raising awareness of the enforcement action taken against CMCs that breach the rules
 - Highlighting the CMR Unit as better equipped to fulfil its role as regulator following an up-scaling of resources and how this is done at no cost to taxpayers
 - Making clear that the CMR Unit has a zero tolerance to CMCs who break the rules; and
 - Ensuring consumers know they can pursue claims without using a CMC
14. This year, the MoJ press office has continued to receive numerous separate media enquiries relating to claims management. The majority of these related to complaints about poor practice by some CMCs, nuisance calls and texts, and questions on the role of the regulator and policy remit. When handling media enquiries the press office often provides background briefings to guide media outlets about any enforcement action without compromising ongoing

investigations. This can help ensure accurate coverage – which highlights the work we are doing – while maintaining absolute discretion around any ongoing investigations.

15. Kevin Rousell has taken part in a number of interviews during 2013/14 to reinforce our regulatory stance and message. Those interviews included BBC Radio 5 Live, regional BBC radio, ITV, and consumer programmes such as BBC Rip-off Britain and BBC Radio 4's Moneybox. Examples of other claims management regulation coverage include:

- BBC News (July 2013) – Claims management firms close as tougher laws introduced
- Legal Futures (November 2013) – CMC numbers slump as referral fee ban hits home
- Guardian (November 2013) – Government plans fines for claims firms that make unsolicited PPI calls
- Daily Telegraph (February 2014) – Claims firm numbers fall by a third
- BBC News (February 2014) – Aviva customer car insurance accident details stolen
- Money Marketing (February 2014) – MoJ removes licences of 200 claims firms
- BBC News (March 2014) – Nuisance calls: Crackdown planned (joint press release with the Department for Culture Media and Sport)

marketing industry. Evidence was taken from across the industry, including the ICO, Ofcom, telecoms providers and consumer groups and the report was published on 30 October 2013. He also addressed the APPG on Insurance and Financial Services in November 2013 in relation to the PPI claims sector and their cold calling practices, and the APPG on Debt and Personal Finance in March 2014 regarding forthcoming regulatory reforms and better consumer redress.

Parliamentary interest

16. The behaviour of CMCs and related claims management issues has continued to attract parliamentary interest over the past year with 38 letters from MPs, 6 written parliamentary questions, 3 oral parliamentary questions, and 1 business question – all in the House of Commons. A range of subjects were covered – most commonly the poor practices of CMCs handling mis-sold PPI claims, unsolicited calls and texts marketing claims services, fraudulent personal injury claims, and reform of the claims management regulatory regime.

17. In October 2013, Kevin Rousell gave evidence to the All Party Parliamentary Group (APPG) on Nuisance Calls' inquiry into the unsolicited

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The power to impose financial penalties on non-compliant CMCs will act in the best interests of both consumers and businesses...



Chapter 9 – Regulatory reforms



Changes to the conduct rules

1. Between April and July 2013, we introduced key changes to the Conduct of Authorised Persons Rules to strengthen existing action to raise standards and better protect consumers. Most crucially we brought an end to verbal contracts and imposed a ban on CMCs offering cash incentives or similar benefits to consumers to bring claims.
2. Further work was undertaken this year to tighten the Conduct Rules – this time from a financial services perspective. In June 2014 we published our response to a consultation on proposals to help tackle more effectively the poor practices of some CMCs when presenting financial claims, in particular mis-sold PPI. We will therefore be strengthening existing conduct requirements by specifying more clearly that CMCs must:
 - carry out investigations to establish the existence and/or merits of a claim
 - be able to substantiate claims they are making
 - not make claims recklessly, falsely or in a way intended to mislead
 - ensure that the data/leads they receive from introducers/agents through telemarketing have been legally obtained and are compliant with the rules
3. These rule changes will enhance regulatory transparency and strengthen our approach to enforcement and will be implemented in October 2014.

Power to impose financial penalties

4. Following public consultation, we are proposing to reinforce our enforcement tools with a new power to impose financial penalties on CMCs for rule breaches. The necessary primary legislation was included in the Financial Services (Banking Reform) Act which received Royal Assent in December 2013. Subject to parliamentary approval, we intend to implement the scheme by the end of 2014. The level of penalty will take account of a business' turnover – a practice which is consistent with other regulators. The proposed penalty levels will be within the range of:
 - £0 - £100,000 for regulated CMCs with a turnover of less than £500,000; and
 - 0% - 20% of turnover for regulated CMCs with a turnover of £500,000 or more.
5. We recognise that there are instances where it can be disproportionate to vary, suspend or cancel the authorisation of a non-compliant CMC when, for example, the CMC can no longer act on behalf of its clients. This can lead to further consumer detriment. The power to impose financial penalties will provide an alternative to more draconian measures and safeguard the interests of existing clients and that of the wider public by ending the bad practice while enabling a CMC to continue providing assistance, as appropriate.
6. The new power will be broad ranging, capable of use against persistent minor rule breaches through to the most severe of breaches where widespread detriment has been caused. Fineable activities will include submitting speculative claims, gathering data without due diligence, misleading marketing, failing to respond to a complaint within the given timeframe, and failing to refund clients in time when they choose to cancel a contract.

7. The power to impose financial penalties on non-compliant CMCs will give us the proper tools to address poor conduct and act in the best interests of both consumers and businesses. This will bring the CMR Unit in line with similar regulatory authorities such as the FCA, SRA, and ICO, amongst others.

Complaints handling by the Legal Ombudsman

8. The Government has previously announced that the Legal Ombudsman's jurisdiction would be extended to consumer complaints about CMCs under powers in the Legal Services Act 2007. Currently, we have a limited remit to handle consumers' complaints about the service a CMC has provided and how it has handled their complaint. We can direct a CMC to apologise, re-do work and in limited circumstances to provide a full or partial refund of fees, but we cannot award compensation where it may be due.
9. Bringing complaints against CMCs within the remit of the Legal Ombudsman will allow consumers whose complaints are upheld to benefit from the wider powers the Legal Ombudsman has for redress, including the ability to award compensation. It is also an opportunity for us to work with the Legal Ombudsman to improve the service and information provided to consumers and improve standards within the claims management industry.
10. Provisions were made in the Financial Services (Banking Reform) Act 2013 to ensure that the costs incurred by the Legal Ombudsman in expanding its jurisdiction will be met by CMCs. We are now working with the Legal Ombudsman to ensure that the necessary regulatory and operational arrangements are in place, and will be preparing for secondary legislation to commence these and related provisions. It is expected that the Legal Ombudsman should be able to start considering CMC complaints in early 2015.

Strengthening CMR governance

11. We have developed new governance arrangements to introduce a greater element of external

challenge to the CMR Unit's operation and to help ensure further reforms are effective, improvement is continuous and perceptions of regulation are strengthened.

12. As part of this reform we have reconstituted the existing CMR Unit Board, and appointed Caroline Wayman and Carol Brady as two non-executive members to the CMR Board to undertake senior governance roles. They have relevant experience and knowledge of the claims management industry, of regulation and business improvement. As experts in their field, they will constructively challenge and bring fresh insights to our existing management structure.

Chapter 10 – Priorities for 2014/15



Outcomes

The following outcomes will continue to drive our compliance priorities:

- Consumers protected from CMC malpractice
- CMCs responsive to regulatory safeguards
- Reduced false expectations of compensation
- Reduced fraudulent claims and disruption of CMCs engaging in other forms of criminality
- Improvements in quality and professionalism of CMCs, and customer confidence in CMC complaint handling
- Increased transparency of the market, particularly in relation to charges, commission payments and the provision of information
- Improvements in industry practices and processes, providing genuine claimants with more efficient and effective routes to redress

Compliance priorities for 2014/15

We carry out an annual intelligence led strategic assessment of the claims management market and how it is changing to inform the development of our operational strategic priorities. Our priorities for 2014/15 are as follows:

- 1. Nuisance calls and unsolicited marketing**
 - Work closely with lead regulators in this area (the ICO and Ofcom), identify the sources of unsolicited marketing and take action to address rule breaches, and consider action needed to address potential new areas such as marketing through social networks/media
 - Fully contribute to the Government's action plan on nuisance calls and the Which? taskforce on marketing calls which is due to report in late 2014
- 2. Tackling malpractice in PPI and other financial products and services claims**
 - Tackle issues arising from the handling of financial claims by CMCs including failing to investigate the merits of claims before submitting them to financial services providers and prematurely or unnecessarily presenting cases to the Financial Ombudsman Service
 - Maintain an overview of the PPI claims market to enable an effective response to any new developments with emerging issues or areas of malpractice
- 3. Enforcing the ban on referral fees for personal injury claims**
 - Monitor the personal injury market to ensure that CMCs' relationships and practices comply with the ban and take enforcement action where appropriate
- 4. Working with partner agencies to tackle businesses that support crime**
 - Engage and work with law enforcement agencies to gather intelligence to identify targets for multi-agency interventions and take action as appropriate
 - Maintain overview of claims market to enable effective response to any new developments with emerging claim types or areas of malpractice
- 5. Unauthorised activity**
 - Tackle unauthorised trading and identify priority targets on a risk assessed basis
 - Continue to focus on personal injury CMCs who have exited the regulatory environment due to the introduction of the referral fee ban to ensure that they do not continue to operate

6. Consumer money at risk

- Respond to intelligence and intervene early to advise, audit and warn CMCs identified as breaching rules while taking up front fees from consumers or failing to handle client money in accordance with the Client Account Rules.

7. Complaints handling and fair and reasonable dealings with consumers/clients

- Ensure CMCs are handling complaints in accordance with the rules
- Tackle CMCs whose marketing is misleading and contracts are unfair, ensuring that information provided to potential clients is clear and transparent, particularly in relation to charges and cancellation

8. Publication of enforcement action

- Proactively publish enforcement action to ensure the public, stakeholders and CMCs are made aware of what we have done and how we will act where rule breaches have taken place

Annex A

Diagram of how nuisance calls are regulated

Privacy and Electronic Communications
(EC Directive) 2003

Information Commissioner's
Office (ICO)

Enforces:

- Unsolicited direct marketing live calls
- Marketing recorded message calls
- SMS text messages for the purpose of direct marketing
- Emails (including spam) for the purpose of direct marketing

Complaints data
passed to the ICO

Telephone Preference
Service (TPS) (contracted
out by Ofcom)

No enforcement responsibility

- Responsible for maintaining TPS Register (re unsolicited live direct marketing calls)

Communications Act 2003

Ofcom

Enforces:

- Abandoned calls
- Silent calls

Complaints data
passed to the ICO
and Ofcom

Claims Management
Regulator
(Ministry of Justice)

No enforcement responsibility

- Responsible for ensuring those CMCs which contact consumers to offer claims services, particularly in relation to financial mis-selling and injury claims do so legally and in compliance with the specific conduct requirements imposed on them

Annex B

Claims Management Regulatory Consultative Group – 2013/14

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 Mortgage Intermediaries (AMI)
www.a-m-i.org.uk

Association of Personal Injury Lawyers (APIL)
www.apil.org.uk

Association of Professional Financial Advisors (APFA)
www.apfa.net

Association of Regulated Claims Management Companies
www.arcmc.org.uk

British Bankers Association (BBA)
www.bba.org.uk

British Insurance 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

Finance & Leasing Association (FLA)
www.fla.org.uk

Financial Conduct Authority (FCA)
www.fca.org.uk

Financial Ombudsman Service (FOS)
www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)
www.fscs.org.uk

Law Society
www.lawsociety.org.uk

Legal Ombudsman
www.legalombudsman.org.uk

Motor Accident Solicitors Society (MASS)
www.mass.org.uk

National Debtline
www.nationaldebtline.co.uk

Ofcom
www.ofcom.org.uk

Office of Fair Trading (OFT)
www.oft.gov.uk

Professional Financial Claims Association (PFCA)
www.pfca.org.uk

Solicitors Regulation Authority (SRA)
www.sra.org.uk

The Direct Marketing Association (DMA) Ltd
www.dma.org.uk

UK Cards Association
www.theukcardsassociation.org.uk

Trade Union Congress (TUC)
www.tuc.org.uk

Which?
www.which.co.uk

Contact information

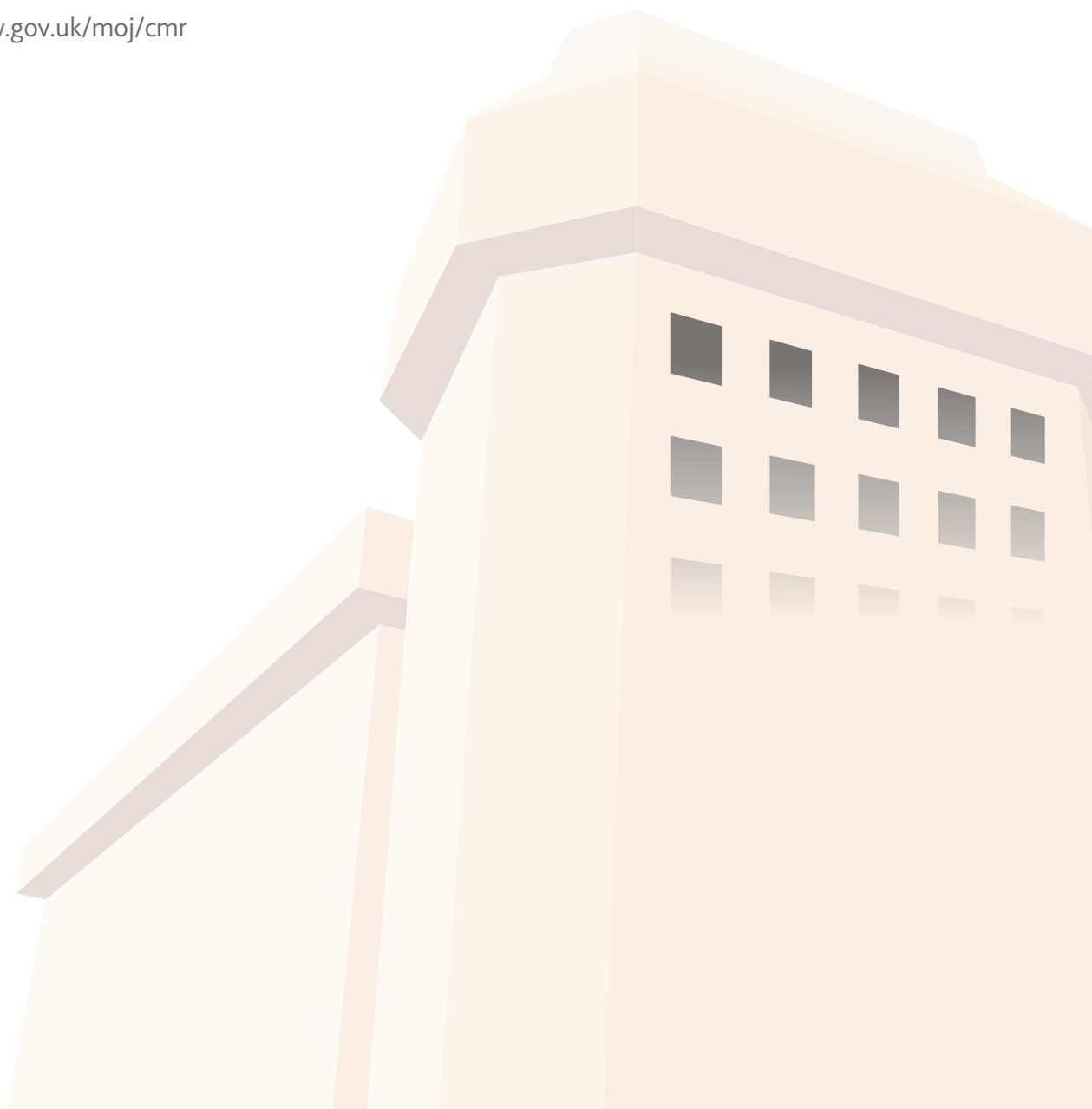
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