



Ministry
of Justice



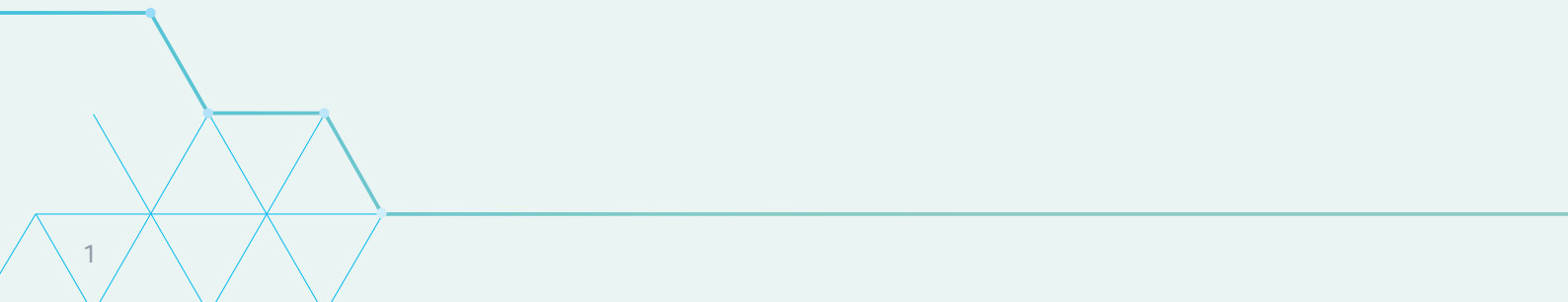
CLAIMS MANAGEMENT REGULATION



CELEBRATING
YEARS

PROTECTING CONSUMERS | CURBING MALPRACTICE







Foreword from Justice Spokesperson Lord Keen



“Protecting consumers is a top priority for this government, so I am delighted at the way in which the Claims Management Regulator, in its tenth year, has helped to clean up the industry by shutting down rogue firms and dealing with nuisance callers. I am confident that the regulator will continue to deliver a first-class service to businesses and the public.”





Foreword from Head of Claims Management Regulation



A decade of challenge, determination and collaboration

In 2007 few could have anticipated the nature, complexity and sheer scale of challenge facing the claims management regulator and the journey ahead. That the Claims Management Regulator (CMR) would remain part of government in the Ministry of Justice for over a decade – with an extended remit, a dramatic increase in claims activities and a workforce approaching 150 staff – was not in anyone’s original vision. The years have brought many difficult compliance and policy challenges and in particular more recently the fundamental review of the current regime and its future. The development of regulation, and of the regulator, over this time has been made possible by Claims Management Regulation Unit (CMRU) staff and many others driven by the ambition to make a real difference to the protection of consumers of claims management services.

I am pleased to have had the opportunity to play a role in trying to bring order to and raise standards in an industry often likened to the wild west, at least initially, and to help ensure consumers with valid claims are helped and not hindered in obtaining appropriate redress. Communicating with the public has included some daunting but memorable experiences, such as being interviewed live on Sky News from the Gherkin, being grilled by Gloria Hunniford or Julia Summerville for Rip Off Britain, or simply trying to be alert enough on the early morning BBC Radio 4 Today programme after a late night at the Olympics. These are unique experiences I simply would not have had in any other job in the Ministry of Justice!

A leading theme throughout the 10 years of regulation has been collaboration. From the very start people from a variety of backgrounds and a range of skills have come together to design, deliver, enforce and review the regulatory regime. Staff have been drawn from trading standards, the police, ombudsmen, other regulators, private sector and many other areas. The membership of the CMR Board has been broadened and strengthened by bringing in non-executives with sound experience of consumer and redress services to provide external challenges. The range of key delivery partners and collaborators to this day includes domestic and international enforcement and intelligence agencies, representative bodies, consumer groups and many others.

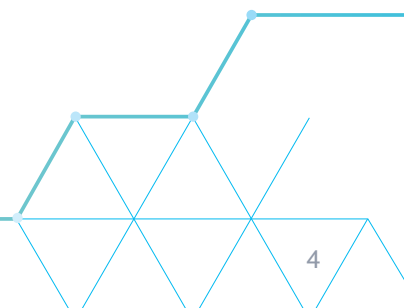


However, with a decade of hard work behind us, a new and perhaps even more challenging period lies ahead. The planned move of regulation to the Financial Conduct Authority (FCA) will bring about an even stricter regime and will be a significant logistical exercise to prepare for and deliver. The eventual transition will be helped greatly by the strength of the current regime and its people. I have been immensely impressed with the commitment, drive and determination of CMRU staff over the years, often in very challenging organisational and sometimes also personal circumstances. I remain confident that this commitment will continue for as long as the CMRU continues to be responsible for managing and delivering regulation.

Kevin Rousell

“ The CMRU has evolved, expanded its resources and obtained new powers to try to meet increasing regulatory demands and has benefitted from stable delivery of frontline regulation through an ongoing contractual relationship with Staffordshire County Council. ”

Kevin Rousell
Head of Claims Management Regulation



10 years in numbers

93,800+

contacts from consumers regarding CMCs



15

consultations published



1,400+

media enquiries between 2011 and 2017



2,022

number of CMCs audited



6,800+

number of CMCs licenced



1,551

furthest miles travelled to audit a non-complaint CMC in Spain



39

tribunal appeals



29

organisations forming
our Regulatory
Consultative Group



139

members of staff
from 15 in 2007



£2.8+
million

issued in fines to non-complaint
CMCs since obtaining the
power to fine



1,387

licences cancelled



478

warnings issued



16

warrants executed
to enter premises
and seize evidence



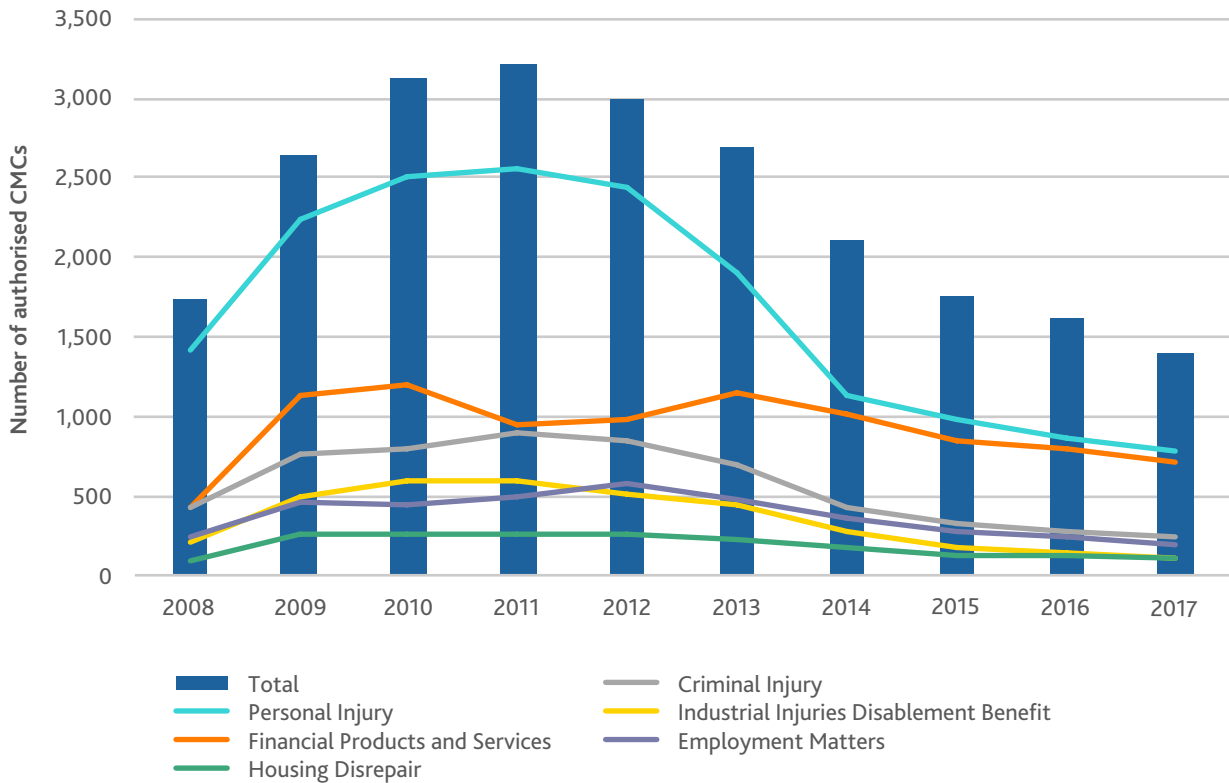
43,183

number of application
forms downloaded



Issues and trends over the years

Total Authorised CMCs by Sector



After a period of rapid growth during the first four years of regulation, since 2011 there has been a steady decline in the size of the claims management industry as a consequence of major regulatory reforms and the evolving claims market. The total number of CMCs has fallen year on year from a peak of 3,213 CMCs in 2011 to 1,388 CMCs in 2017, however the rate of decline has slowed in the last two years as the market began to show signs of consolidation.

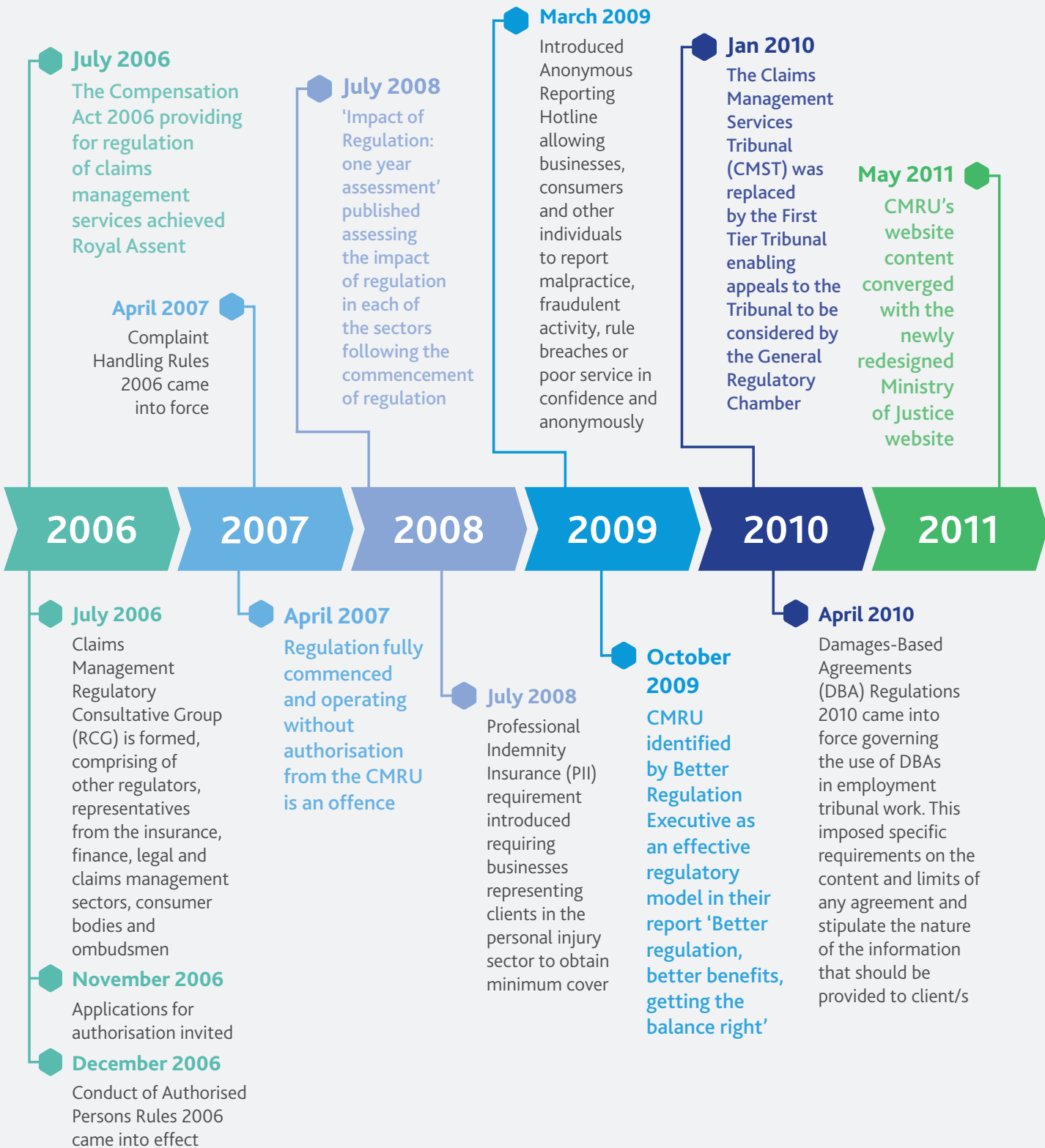
While personal injury remains the largest claims management sector in terms of the number of CMCs in operation, the financial claims sector has superseded it for four consecutive years, generating more than twice the turnover of the once dominant personal injury sector. This is largely in part due to the PPI claims market which has continued to be the largest and most active financial claims area.



Total Turnover by Sector: 2007-2017



Timeline of Claims Management Regulation



2012

2013

2014

2015

2016

2017

April 2013

The Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) commenced and CMRU enforced ban on CMCs paying or receiving referral fees in personal injury cases and offering cash incentives or similar benefits to encourage consumers to make claims

July 2013

Conduct Rules tightened strengthening consumer protection including mandatory requirements for written and signed contracts with clients before any fees can be taken by CMCs

June 2013

CMCs under investigation and subject to enforcement action named, as part of ongoing work to raise industry standards and ensure consumers and business are better informed

November 2013

Financial Services (Bank Reform) Act 2013 amended to enable new power to fine CMCs – Act received Royal Assent in December 2013

August & December 2012

Consultation and final conclusions on proposals to tighten Conduct Rules for CMCs published

Late December 2014

Implemented the power to impose financial penalties on CMCs for rule breaches:

- ▶ £0-£100,000 for regulated CMCs with a turnover of less than £500,000
- ▶ 0%-20% of turnover for regulated CMCs with a turnover of £500,000 or more

October 2014

Conduct Rules strengthened to ensure that any data/leads CMCs receive from third parties is legally obtained, and appropriate due diligence is conducted to ensure claims are properly substantiated before being pursued

March 2014

Launched consultation on obtaining new power to fine CMCs for rule breaches

April 2014

'Better Regulation: BIS' regulatory reform came into force to ensure CMRU's procedures were fully compliant with new code

May 2014

Appointed two independent non-executive members to the executive led CMR Board to provide more independent scrutiny and challenge

August 2015

The CMRU began imposing financial penalties against non-complaint CMCs with the first penalty of £220,000 issued against a CMC for making cold-calls for noise induced hearing loss claims

April 2016

Transition work to prepare for transfer of CMR to FCA started

January 2015

Legal Ombudsman's jurisdiction extended to cover service related complaints about CMCs. CMR Complaints Handling Rules amended to reflect this change (Complaints Handling Rules 2015)

July 2015

Government announced that an independent review of CMR is to be conducted

Feb 2017

Response to Whiplash Reform proposal released, stating the government's intention to introduce a new fixed tariff of compensation for whiplash claims; ban offers to settle whiplash claims without evidence; and increase the small claims track limit for personal injury claims

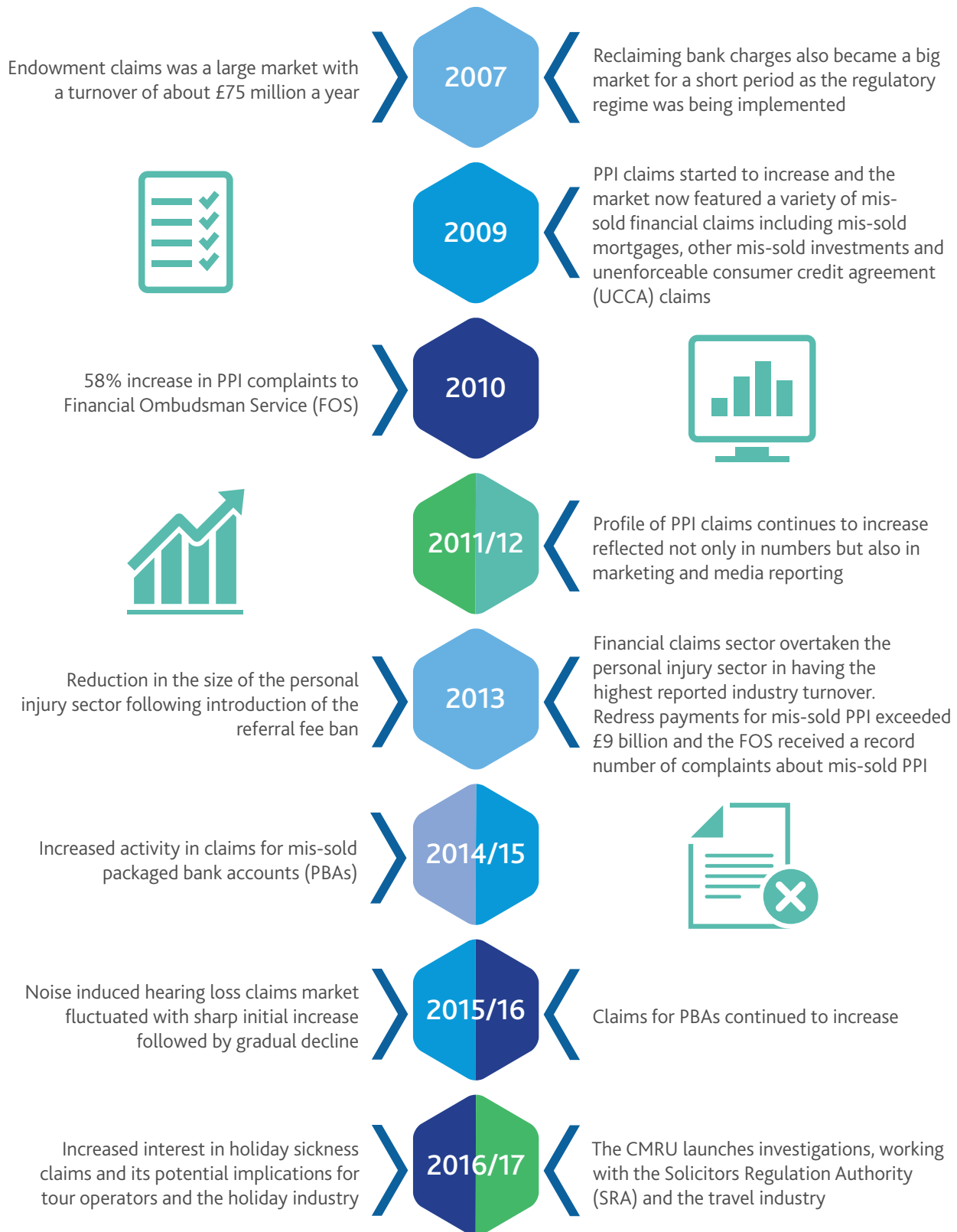
March 2017

Between April 2016 and March 2017 the CMRU conducted 348 audits, issued 185 warnings, cancelled the licences of 69 CMCs and issued over £1.1 million in fines

March 2016

Carol Brady's independent review of CMR reported. Government announced intention to: re-authorise all CMCs; hold managers of CMCs accountable for the actions of the business under a senior manager's regime; and transfer of the CMR to the Financial Conduct Authority (FCA)

Issues and trends over the years



Stakeholder relationships and key collaborations

The CMRU continues to work closely with stakeholders and adopts an open and proactive approach to engagement to promote understanding and to share intelligence. Our stakeholders provide us with key insights into the activities of specific CMCs and other market developments.

British Banking Association (BBA)



The voice of banking
& financial services

“During the last 10 years, the BBA and the CMRU have worked closely together, supporting the Unit’s continued commitment to proportionate regulation, including the introduction of fee cap proposals aiming to cut costs for consumers. As the regulator celebrates its 10th anniversary, the BBA and its new successor body, UK Finance, are looking forward to continuing this successful partnership.”

Eric Leenders, Managing Director, Retail and Commercial Banking.

Financial Ombudsman Service (FOS)



Financial
Ombudsman
Service

“The Financial Ombudsman Service has valued the opportunity to work with the CMRU, whether this is in sharing insight on the numbers and types of complaints that claims managers are referring to us, or contributing to the CMRU’s bulletins for claims managers. We’ve found the bulletins a really useful way to share important messages, whether this is setting out how we look into the concerns people raise about packaged bank accounts or providing guidance to CMCs on bringing complaints to our service. For the last two years we have also participated in the CMR’s seminar for newly authorised CMCs, to talk about how CMCs can best work with our service.”

The Finance & Leasing Association (FLA)



“The CMRU has played an important role in establishing a regulatory framework focussed on protecting consumers and tackling poor practice across the claims management sector. The Financial Conduct Authority can now build upon the excellent foundations laid by the CMRU.”



The Legal Ombudsman (LeO)



"From the start, the relationship between LeO and the CMRU has been proactive, pragmatic and positively reciprocal. Among other things, the CMRU has provided us with initial training for our staff to enable them to understand the work of CMCs and LeO has provided a free-flow of current information based on incoming contacts in order to identify potential issues.

Although LeO's relationship with the CMRU has been shorter than the 10 years now being celebrated, we feel it has been based on open lines of communication and a healthy respect for each other's function and remit, which has led to a pretty smooth journey thus far. Whilst we know there are challenges to overcome as we move forward, we are confident that our established relationship will continue to prove fruitful for both organisations."

The Information Commissioner's Office (ICO)



Information Commissioner's Office

"The operational relationship between the ICO and the CMRU is how two regulators with cross-cutting responsibilities should work together, co-operating across all our intelligence and enforcement functions. The 'how' and 'what' continues to evolve and develop in response to new opportunities and challenges, but the 'why' remains constant – there is a shared commitment to use our resources, powers and experience to deliver good and effective outcomes for UK citizens."

Solicitors Regulation Authority (SRA)



"The SRA and the CMRU have established a strong relationship. We work closely together to identify and respond to shared regulatory risks. This helps protect consumers and deter poor behaviour from businesses across the marketplace. For example, we have worked together to help combat issues relating to firms involved in claims for mis-sold PPI, fraudulent personal injury claims, and the implementation of the personal injury referral fees ban."



Association of British Insurers (ABI)



Association of British Insurers

"The ABI has worked constructively with the CMRU to identify issues where the behaviour of CMCs affects insurance customers, and we welcome the willingness of Kevin Rousell and his team to engage openly with the ABI and other industry stakeholders. This has allowed the insurance industry and the CMRU to collaborate to identify CMCs who are responsible for bringing fraudulent personal injury claims or running 'cash for crash scams'. Tackling these rogue CMCs has protected consumers from paying for fraudulent and fabricated insurance claims. Without the important work of the CMRU over the past decade, many more consumers would have lost out."

James Dalton, Director of General Insurance Policy.

The Motor Accident Solicitors Society (MASS)



"Since regulation was established in 2007, the CMRU has endeavoured to protect the public from poor conduct by some CMCs. One of CMRU's particular strengths is its engagement with other organisations.

MASS has enjoyed a productive partnership with the CMRU over the last ten years, working to better regulate the UK claims market. There is still much to do to protect the accident victim and so we look forward to continuing to work together as the CMRU undergoes its transition to the FCA."

Professional Financial Claims Association (PFCA)



"The PFCA enjoys an open and productive relationship with the CMRU. Before its launch, invaluable help and guidance was given by the CMRU, introductions to other bodies associated with financial claims management were made to ensure there was consultation at all levels, personal support was given during initial meetings and others since.

Regular consultation and collaboration, working to maximise the success of the CMRU 'Relationship Management Programme' reporting, providing evidence of 'rogue' financial claims management companies activity to the CMRU, response and feedback to bulletins issued, and the provision of data and evidence to ensure all areas of the claims handling process are known to the CMRU. The work continues."



Association of Professional Financial Advisers (APFA)



"The poor practices of many CMCs in submitting speculative or false claims are a significant concern of our members. APFA have therefore always been very supportive of the CMRU's efforts to regulate the CMC market and have welcomed the steps it has taken over the past years to better regulate the industry and to ensure that any on-going misconduct and dubious practices are curtailed for good."

Sir Mark Boleat – Previous Head of CMRU 2007 – 2008, immediate past Chairman of City of London Corporation's Policy and Resources Committee



"Claims management regulation was implemented in an unconventional way – the Ministry of Justice finding itself in the unaccustomed role of regulator, the use of a trading standards department to deliver the frontline regulatory regime, with battle-hardened civil servants and the speed with which everything was implemented – but it worked and there were some early successes, particularly in dealing with ambulance chasers in hospitals addressing the cash for crash scam."

Carol Brady – Non-Executive Chair of the Claims Management Regulation Board and Chair of the Trading Standards Institute



"In a challenging market place, for a relatively small regulator with limited resource and powers, the CMRU certainly punches above its weight and isn't frightened to act with speed to use the tools available to it where it sees examples of consumer detriment or breaches of its requirements."

Media headlines over 10 years

AUG 2009

“One hundred claims management companies cancelled as MoJ continues to crack down on firms who mislead the public...”

NOV 2011

“MoJ crackdown on PPI malpractice”

JUL 2013

“Claims management firms close as tougher laws introduced”

JAN 2016

“PPI firm that made 40 million nuisance calls has licence stripped”

FEB 2014

“Claims firm numbers fall by a third”

FEB 2016

“PPI claims: Ministry of Justice clamps down on claims management companies responsible for pesky PPI calls”

AUG 2015

“First fine issued against rogue claims management company”

FEB 2017

Solicitors and CMCs probed over “surge” in holiday sickness claims



CMR Board members

Carol Brady

Non-Executive Chair
of Board (from April 2017)



Kevin Rousell

Head of CMRU
(Previous Chair of Board
until March 2017)



Alison Wedge

Deputy Director
(Ministry of Justice)



Caroline Wayman

Non-Executive
Board Member



Trish Caldwell

Regulatory Services
Commissioner
(Staffordshire
County Council)



Sarah Mutton

Deputy Head
of CMRU (until
February 2017)[†]



Vicki McAusland

Deputy Head of CMRU
(from March 2017)

[†] Sarah Mutton is on maternity leave from March 2017.



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