

Disapplication of CASS audit requirements to certain debt management firms

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

The assessment explains that the Financial Conduct Authority (FCA) has made changes to its rules requiring debt management firms (DMFs) to have an annual audit by an external auditor of compliance with the Client Assets sourcebook (CASS). The change to the rules clarifies that where a DMF is not entitled to hold client money it will not be required to undertake an annual CASS audit. These changes will lead to cost savings for such firms and provide the FCA with more accurate and useful data on these holdings.

Impacts of the measure

The FCA has consulted industry and states that at least 900 firms are affected by the clarification. The assessment states that most of these firms are small advice centres and citizens advice bureaux.

The FCA has previously estimated the cost of submitting an audit report for a small loan-based crowdfunding firm at £940 per annum. It uses this figure to estimate the saving per firm of the removal of the requirement.

The RPC verifies the estimated equivalent annual net direct cost saving to business (EANDCB) of -£0.8 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The assessment clearly explains the minor change, which will remove 900 firms from the requirement of providing an annual audit report. To further support its estimates, the FCA has refers to its full cost benefit analysis (CBA) and related consultants' report. The assessment would have benefited from containing a more detailed summary of the CBA to ensure that readers have a more complete picture of the costs and estimates without the need to cross refer to other documents.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net direct cost to business (EANDCB)	-£0.8 million
Business net present value	£7.3 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANDCB – RPC validated ¹	-£0.8 million
Business Impact Target (BIT) Score ¹	-£4.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.