

Thematic review of the provision of premium finance to retail general insurance customers

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

The FCA undertook a review to assess the extent to which firms ensure the information needs of their customers are met when selling them general insurance using premium finance¹. The FCA reviewed a sample of 43 firms to assess the standard of compliance with existing regulatory requirements. The report itself does not impose additional regulatory requirements other than clarifying familiarisation costs. It identifies a number of areas where firms were non-compliant with existing regulations and will incur costs in order to become compliant. The FCA argues that these costs fall only on currently non-compliant businesses and does not calculate them.

Impacts of the measure

The assessment explains that a total of 3,250 firms would need to become familiar with the thematic report; the FCA estimates this imposes a total one-off cost of £156,000.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

The FCA sets out very extensive evidence in support of its assertion that the majority of costs fall only on non-compliant businesses. A rather less extensive summary would have been both sufficient and proportionate, though the RPC is pleased to see evidence provided on this point.

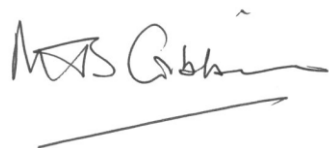
¹ Lending of funds to a person or company to cover the cost of an insurance premium

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ²	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



Michael Gibbons CBE, Chairman

² For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.