

Smarter Communications

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

The assessment explains that as part of a Smarter Consumer Communications initiative, the FCA has amended its handbook, removing a series of ineffective disclosure requirements. In particular, it has removed the requirement to produce both consumer friendly principles and practices of financial management document (for with-profits insurance policies) and an annual short report to customers post-sale for Undertakings for Collective Investment in Transferable Securities (UCITS) schemes such as unit trusts and for non-UCITS retail schemes.

Impacts of the measure

The assessment explains that the changes will reduce compliance costs for all insurance, home finance and investment firms.

The FCA estimates that the removal of the principles and practices document will result in a cost saving of £300,000 per annum. This is based on previous cost-benefit analysis and data from the Association of British Insurers.

Based on industry data, printing cost estimates and in-house estimates of the time taken to create a short report, the FCA estimates that firms currently produce and distribute between 6.7 million and 8.1 million short reports per annum and that removing the requirement to do so will result in cost savings of around £15.3 million each year. The FCA has provided links to earlier cost-benefit analysis which supports these estimates within the IA.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of -£13.9 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

As initially submitted, the assessment did not provide sufficient evidence to support the assumptions regarding the short reports; in particular those relating to the amount of a senior person's time spent comparing the content of the report. Estimates on printing, packaging and distribution also did not appear to be supported

by evidence. Following the RPC's initial review, the FCA submitted a revised assessment which provides sufficient information to address these concerns.

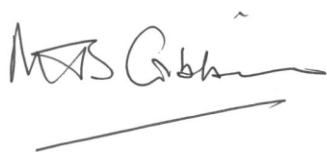
The assessment would have benefited from further supporting evidence from business. The RPC acknowledges that the FCA is unable to seek further evidence for this assessment given this relates to a measure from 2016. However, the RPC requests that, for any future reviews, the FCA should ensure the inclusion of sufficient supporting evidence from the businesses affected to allow a BIT score to be validated at first submission.

Departmental assessment

| Classification | Qualifying regulatory provision (OUT) |
|--|---------------------------------------|
| Equivalent annual net direct cost to business (EANDCB) | £13.9 million |
| Business net present value | £133.8 million |

RPC assessment

| Classification | Qualifying regulatory provision (OUT) |
|---|---------------------------------------|
| EANDCB – RPC validated ¹ | £13.9million |
| Business Impact Target (BIT) Score ¹ | £69.5 million |



Michael Gibbons CBE, Chairman

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