



Department for Levelling Up, Housing & Communities

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The Rt Hon Simon Clarke MP
*Secretary of State for Levelling up Housing &
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***Department for Levelling Up, Housing and
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21 September 2022

Dear Steve,

Actions from the Financial Conduct Authority's (FCA) report on the buildings insurance market for multiple-occupancy residential buildings

I am writing to you in light of the FCA's report into buildings insurance for multiple occupancy buildings, dated 21 September 2022.

The report has brought to light disturbing evidence on remuneration practices. Broker commissions account for 30% of the premium and the average absolute value of commissions has more than tripled for brokers between 2016 and 2021 (261% increase) to a mean of £4,690 per building. In most cases the broker shares their commission with the managing agent/freeholder: in more than half of cases, these parties receive 50% or more of the commission given to the broker. It is unclear how these practices can be of any benefit to leaseholders.

The financial pressure currently placed on leaseholders is unacceptable. The real-world increase in the commissions passed to managing agents at the expense of leaseholders is amoral, lacks a connection to delivering a fair and quality product and must cease as a matter of urgency.

My department will work closely with the FCA to ensure action is taken to tackle these unfair commissions. I would like to see immediate changes to this practice and expect a proposal from BIBA setting out how you will address broker commissions and reform culture and practice within the market ahead of any further regulatory activity.

The FCA has also recommended that you work rapidly on a pooling solution with the ABI and on improving the quality and availability of data in this area of the market. Before the month is over, I would like you to outline a timeline of the action you intend to take and the effect you expect it to have on the issues identified by the FCA.

Rt Hon Simon Clarke MP
Secretary of State for Levelling Up, Housing & Communities