

FCA sets out plans for the year ahead, publishing supporting information

In its [Business Plan for 2024-25](#), the FCA has [set out a programme of work](#) for the final year of its current 3-year [strategy](#). The planned programme of work builds on progress made over recent years to become a “more outcomes-based, assertive and data-led regulator”.

The FCA will continue to deliver the 13 commitments in its strategy, which focuses on preventing serious harm, setting higher standards and promoting competition.

Specific issues it will prioritise include:

- protecting consumers by testing if firms are meeting the Consumer Duty;
- contributing to UK competitiveness and growth by making it quicker and easier for firms to apply for authorisation; and
- building on the significant progress already made to become a data-led regulator by:
 - automating more of its analytics tools to help detect and respond to consumer harms faster; and
 - working with firms on the safe deployment of artificial intelligence.



Business Plan 2024/25

The challenges for the year ahead

Although there are some encouraging signs, the economic and geopolitical landscape remains uncertain. Many consumers and businesses continue to struggle with the impact of higher inflation and borrowing costs. Challenges the FCA is monitoring include:

- **higher interest rates and persistent inflation;**
- **global financial risks; and**
- **geopolitical risks.**

FCA focus for 2024/25

Protecting consumers: The FCA will continue to test higher standards through embedding the Consumer Duty.

Ensuring market integrity: The FCA will continue to invest in its data and technology to support rigorous market oversight.

Promoting effective competition: The FCA will continue to promote competition and innovation to deliver good outcomes for consumers and fair value outcomes under the Consumer Duty.

The secondary international competitiveness and growth objective: The FCA will continue to make it quicker and easier for firms and people to apply for authorisation, and will strengthen its data collection processes to reduce the burden on firms.

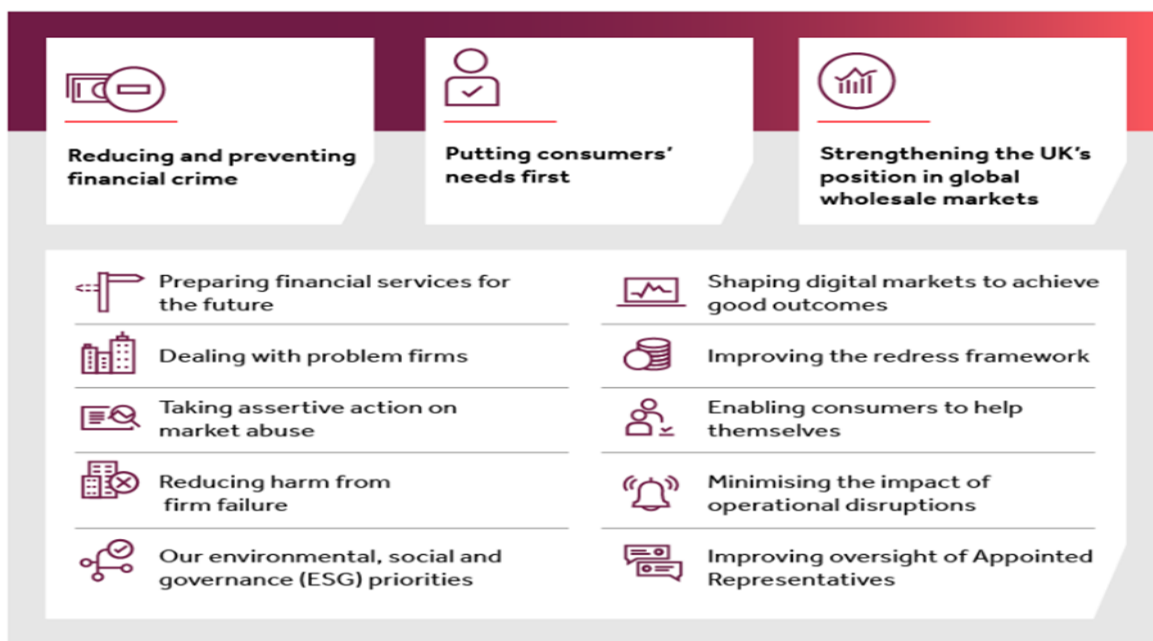
People: The FCA's workforce will be more than 5,000 by the end of March 2024.

Operational resilience: The FCA will continue to invest in operational effectiveness and resilience.

The FCA's commitments

The FCA will continue to deliver its 13 public commitments, focusing on three in particular:

- reducing and preventing financial crime;
- putting consumers' needs first; and
- strengthening the UK's position in global wholesale markets.



Relevant key activities, both new and continuing, are as follows:

FCA commitment	New activities	Continuing activities
Reducing and preventing financial crime	Increase investment in systems to use intelligence and data more effectively within its financial crime work.	<ul style="list-style-type: none"> • Use its powers to disrupt, pursue and sanction those committing and enabling financial crime. • Improve its capabilities to identify and request platforms remove unauthorised financial promotions, associated websites and social media accounts. • Strengthen its supervision of firms' sanctions systems and controls.
Putting consumers' needs first	<ul style="list-style-type: none"> • Multi-firm work and market studies across different sectors, including: • how firms assess overall product value and their response where they identify poor value; • how swiftly the insurance industry responds to claims, including where customers are more likely to show characteristics of vulnerability; and • a review of firms' treatment of customers in vulnerable circumstances. 	Supervisory work to test firms' implementation of the Consumer Duty and to improve firms' delivery of good consumer outcomes. This includes complaints-handling and root cause analysis, consumer support journeys, consumer understanding, fair value and closed products and services.
Strengthening the UK's position in global wholesale markets		<ul style="list-style-type: none"> • Ensure the regulatory framework is proportionate in speed and cost, and support company compliance. • Continuously improve how the FCA authorises firms and approves people, recognising the importance of an efficient application process.

FCA commitment	Continuing activities
Preparing financial services firms for the future	Continuing to embed the changes to the regulatory framework.
Dealing with problem firms	Increase auto-detection capabilities of problem firms and individuals.
Taking assertive action on market abuse	[A number of initiatives not directly relevant to the insurance sector]
Reducing harm from firm failure	Continuing to engage on new and emerging risks with UK and international partners.
Shaping digital markets to achieve good outcomes	<ul style="list-style-type: none"> • Assessing the impact of AI on UK markets to better understand the risks and benefits. • The FCA will continue to robustly investigate digital consumer journeys and firms using 'sludge' practices.
Enabling consumers to help themselves	<ul style="list-style-type: none"> • Continue with robust assessments of firms' applications to approve financial promotions for unauthorised firms. • Following the Online Safety Act, continuing work with OFCOM to successfully implement the legislation for financial services.
Improving the redress framework	<ul style="list-style-type: none"> • Ensure that consumers receive appropriate and efficient redress where things go wrong. • Claims Management Companies (CMC) sector delivers fair value and that firms that cause harm bear more of the cost of redress. • Continuing work on redress Guidance for firms, complaints reporting, and a review of lead generation in the CMC sector. • Continuing work on historic discretionary commission arrangements in the motor finance market (the FCA aims to set out its next steps on this in Q3 2024).
Minimising the impact of operational disruptions	<ul style="list-style-type: none"> • Continuing to deal with firms that cannot meet FCA standards on operational resilience. The FCA intends to publish a Consultation Paper clarifying its expectations on how firms should report operational incidents. • The FCA's Consultation Paper CP23/30 proposes new rules to address the systemic risk that critical third parties present to the financial sector.
Improving oversight of Appointed Representatives (ARs)	<ul style="list-style-type: none"> • Continuing to target resources through deeper analysis of existing data and using significantly improved data, including from updated Gateway forms, new regulatory returns and a dataset covering all ARs. • Continuing to strengthen its scrutiny and engagement with principal firms as they appoint ARs. • Continuing its assertive supervision of high-risk principals.

FCA Budget – the 2024/25 Annual Funding Requirement (AFR)

In 2024/2025, the indicative FCA annual funding requirement (AFR) is £755m, **an increase of 10.7%**. This is still subject to formal consultation and will be formally set in a June policy statement. The funding includes:

- Ongoing Regulatory Activities (ORA) budget; and
- the costs of exceptional projects the FCA needs to recover for changes to its regulated activities and new initiatives.

The actual fees it collects will reflect the AFR net of rebates from financial penalties collected (forecast at £35.1m). The FCA will provide additional detail in its annual fees rates Consultation which will be published in April.

FCA outcomes and metrics

An [FCA web page](#) has been published setting out:

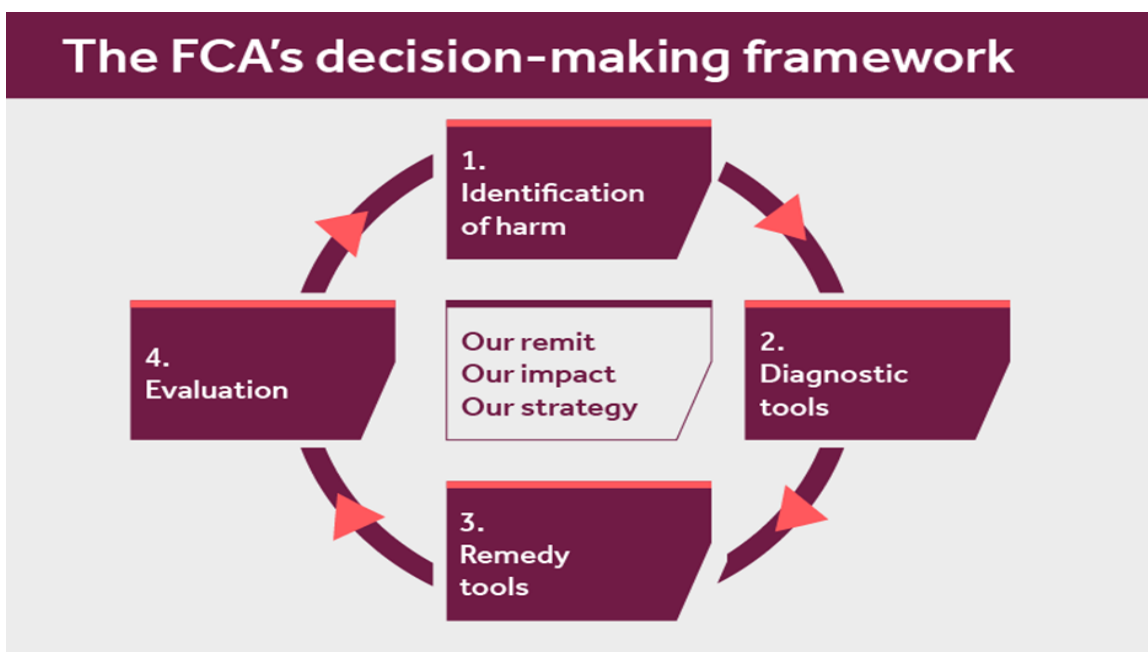
- how the FCA is accountable for its progress;
- an explanation of its ‘topline’ and ‘commitment’ outcomes; and
- how it will measure progress against its metrics.

The FCA’s approach to supervision

The FCA has [published a web page](#) setting out its approach to supervision, explaining how the FCA carries out its regulatory oversight. It is designed to help firms, consumers and markets understand how the FCA works, and fulfils its accountability to Parliament and to the public.

It sets out its approach under five key headings:

1. Introduction
2. Why we supervise
3. How we supervise
4. Our supervisory principles
5. Supervisory judgement and [decision-making](#)



The FCA's approach to consumers

The FCA has also published a [new web page](#) explaining that its approach to consumers sets out how it uses its powers and tools to protect consumers of financial services, in line with its consumer protection objective.

It sets out its approach under four headings:

1. Introduction
2. Our objectives
3. The outcomes we want to see
4. Our regulation.

Under the 'Our regulation' heading, the FCA addresses a number of issues including Consumer Duty, consumer vulnerability, consumer communications and consumer redress.

Wishing you a Happy Easter !



If you would like any help or information in relation to this update or any FCA-related compliance issues or ICS Services, please contact your usual ICS representative or Head Office on 01892 539600 or admin@insurancecompliance.co.uk and we will be happy to discuss further.

The above information is a summary of certain matters which will affect the majority of firms conducting Insurance Distribution and reflects ICS's views at the date of publication. Each firm's requirements are individual, and rules are regularly changing; it is therefore important that you always seek specific advice from ICS before acting on anything contained in this publication.

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