

# 119

Financial Services Authority

## Consultation on the general levy and supplementary levy for funding the Financial Ombudsman Service 2002/03

January 2002



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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 21 February 2002.

You can send your response by electronic submission using the form on the FSA's website (at [www.fsa.gov.uk/pubs/cp/cp119\\_response.html](http://www.fsa.gov.uk/pubs/cp/cp119_response.html)), by e-mail or in writing to the following:

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**It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.**

# 1 Introduction and executive summary

- 1.1 We have consulted<sup>1</sup> jointly with the Financial Ombudsman Service (FOS) on the proposals for the financial services industry to fund the FOS. The FSA Board approved the funding rules in DISP 5 of the Complaints Sourcebook in ‘final’ form on 20 September 2001. Funding arrangements are in place to cover the period from N2 to the end of the current financial year for the Compulsory Jurisdiction and the Voluntary Jurisdiction. This paper consults on the general levy and tariff-rates that will apply to each FOS industry-block for the first financial year after N2 (2002/03). These tariff-rates will enable firms within each industry-block to find out what they will be expected to pay towards the FOS’s general levy in 2002/03. We are also consulting on the minimum levy and the amount of the supplementary levy to be raised from all firms that are subject to the FOS, to cover the set-up costs of the scheme. Also, for clarification, we are proposing an extra rule on information provision to the FSA and Chapter 3 explains this. Chapter 4 sets out a proposed revision to the rule relating to the supplementary levy, to make it clearer how it is calculated.

## **Background**

- 1.2 Previously, we have consulted jointly with the FOS on its funding arrangements, since the FSA and the FOS each have powers to make rules about the FOS. The FSA power to raise the general and supplementary levies from authorised firms is in Section 234 of the Financial Services and Markets Act 2000 (FSMA). The FOS power to charge case fees is in Schedule 17 paragraph 15 of the FSMA. The FOS is required under Schedule 17 paragraph 9 to consult on its budget before the start of each financial year. The FOS is consulting<sup>2</sup> separately but simultaneously with the FSA, as part of its annual budget consultation process, on the case fees that it proposes to charge firms in 2002/03.

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1 CP33: ‘Consumer complaints and the new single ombudsman scheme’ (November 1999); CP74: ‘Funding the Financial Ombudsman Service’ (November 2000); ‘Dispute Resolution: the Complaints Sourcebook’ (October 2001).

2 FOS Plan and Budget for 2002/03 (January 2002).

- 1.3 The FOS is also consulting on the extra standard term needed to implement the relevant funding rules in DISP 5 for Voluntary Jurisdiction participants.
- 1.4 We are empowered to approve any rules made by the FOS and its annual budget post-consultation.
- 1.5 As a result of previous consultation, we have adopted this approach to funding the FOS:
- The FOS will be funded by a combination of a general levy on all firms that are subject to the FOS's jurisdiction, and a case fee charged on a 'pay as you go' basis.
  - In 2002/03, 50% of the FOS's total expenditure will be met by a general levy and 50% by case fees. This will be reviewed within two years in the light of experience.
  - There will be a minimum levy in each industry-block, with no maximum, and firms will be allocated levies on a 'straight line' basis, so that they will increase uniformly with the amount of 'relevant business' done (ie business done with private individuals).
  - The FOS's set-up costs will be recovered over 3 years from firms that are subject to the FOS (in both the Compulsory and Voluntary Jurisdictions). The amount to be raised via the total supplementary levy from each block is calculated in the same proportion that the block is contributing to the whole general levy.
  - FOS industry-blocks mirror, as far as possible, FSA fee-blocks for regulatory fee-raising. Firms will fall into the FOS industry-block that corresponds to their FSA block, based on their permissions. Annex A shows the FOS industry-blocks and how they correspond to FSA fee-blocks. The FOS has calculated the cost of running each industry-block, based on the number of case-handling staff that they estimate will be needed to deal with the expected number of complaints for that block.
- 1.6 The rules on FOS funding that we make under section 234 of the FSMA (as supplemented by section 156) do not require a cost benefit analysis.<sup>3</sup> The arrangements for FOS funding will mostly be of interest to firms rather than to consumers, and there is no change to the statement of compatibility with the FSA's general duties, as set out in previous consultations on the matter.<sup>4</sup>

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3 FSMA Section 155(9)(c).

4 CP49: 'Complaints handling arrangements: Feedback statement on CP33 and draft rules' (May 2000) Chapter 3; CP74: 'Funding the Financial Ombudsman Service' (November 2000) Annex B; CP90: 'Procedural formalities for the Handbook' (May 2001) Annex B.

- 1.7 Please comment on this consultation by 21 February 2002, and note the FOS's consultation on case fees (contained in their Plan and Budget for 2002/03) also closes then. Annex B shows the tariffs that we propose to charge firms in the next financial year for the service provided by the FOS, together with the proposed case fees on which the FOS is currently consulting. Annex C is an overview of the contribution of each industry-block to the total general levy and supplementary levy.

# 2 General levy tariff-rates

- 2.1 This chapter explains how the proposed tariff-rates for firms in each industry-block in 2002/03 were reached, based on the FOS's budgeted costs and the available relevant business data. It also sets out the minimum general and supplementary levies payable in each case. Annex B contains the draft rule at DISP 5 Ann1R, which sets out the proposed annual fees payable for 2002/03. All information on which these proposals are based was provided by the FSA, industry bodies and other relevant organisations, and collated by the FOS. For completeness and ease of reference, Annex B also contains the case fees on which the FOS is currently consulting in its draft Plan and Budget for 2002/03.

## **Data collection**

- 2.2 Under DISP 5.5.1R, firms will have to calculate their relevant business data as at 31 December each year, or for the year ending 31 December, and submit their data to the FSA by the end of February the following year. This is in line with the data collection process required for FSA fee raising, and as set out in the feedback to CP74, we do not consider a different approach to be warranted in the FOS funding context. We propose to revise the information provision rule, to enable firms to submit a best estimate of relevant business data where a statement cannot be provided. The proposed revisions are set out in Chapter 3.
- 2.3 Under Schedule 17 paragraph 9 of the FSMA, the FOS has to consult on its budget and obtain our approval of it before the start of its financial year on 1 April. As explained above, we also have to consult on the general levy (i.e. tariff-rates and minimum levy) and, for 2002 to 2005, the supplementary levy for recovering the FOS's set-up costs. The FSA and FOS consultation periods need to coordinate with the timing of their respective boards. So the FOS is obliged to publish its expected annual expenditure, case fees and voluntary jurisdiction tariff-rates for consultation in January before receiving the relevant data from firms. The amounts of the general levy which we have power to raise are based on this expected expenditure.

- 2.4 In the future, the FOS will use the previous year's data to send an estimated invoice in April, and this will be adjusted in October to reflect the actual relevant business data declared to the FSA in February. However, in this first full financial year after N2, the FOS has had to estimate a considerable amount of the information required to calculate the tariff-rates for 2002/03, as much of the relevant data did not already exist. With the help of trade associations, member firms, the former ombudsman schemes and the FSA, the FOS has given us the base data needed to set the proposed tariff-rates for 2002/03. However, in light of more accurate data being received on tariff-bases, the estimated amounts invoiced for that year may have to be adjusted, and firms invoiced again in the autumn of 2002, to reflect the actual relevant business data that will have been given to us in February 2002.
- 2.5 During the FSA and FOS consultations on FOS funding for 2002/03, the FOS will continue to validate and refine incoming data on relevant business and the membership of industry-blocks where possible. This may cause the tariff-rates in DISP 5 Ann1R that are finally set in March to vary, perhaps materially, from those published here. We will explain the reasons for any discrepancies in the feedback on this consultation.

#### **Allocating costs to industry-blocks**

- 2.6 Each year, the FOS allocates the proportion of its budget to be raised by general levy (50% in 2002/03) to industry-blocks in proportion to the work that each block is expected to generate. The tariff-rate for firms in each block is then reached according to the amount of relevant business done by that block, as measured by the appropriate tariff-base. For example, in Block 1 (deposit acceptors, mortgage lenders and administrators), the costs of that block will be divided by the estimated total number of relevant accounts to obtain the tariff-rate. As mentioned above (see paragraph 2.4), the FOS has estimated the relevant business data for its funding in 2002/03 by reference to the data which the FSA, trade bodies and relevant organisations have given to the FOS. Membership of each FOS block mirrors the proposed membership of the FSA's fee-blocks pending the finalisation of FSA fee-raising arrangements.<sup>5</sup>
- 2.7 The FOS has calculated the proposed minimum levy in each block while taking into account the tariff-rate, the need to recognise the burden on small firms and the economics of collecting small amounts from firms.

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5 CP111: 'Fourth consultation paper on the FSA's post-N2 fee-raising arrangements including feedback on CP 95' (September 2001).

### **Tariff-rates by industry-block**

- 2.8 The proposed tariff-rates and minimum levy are set out in the table at DISP 5 Ann1R (see Annex B). Annex C gives an overview of the general levy and the supplementary levy payable by each block. Where a firm is paying the minimum general levy, it will also pay the minimum supplementary levy. We are proposing to clarify DISP 5.7.6R, which explains how the supplementary levy is calculated, and this is dealt with in Chapter 4.

#### **Block 1 – Deposit acceptors, mortgage lenders and administrators**

- 2.9 This block will include banks, building societies, mortgage lenders and administrators (but excludes credit unions, which are in Block 14 – see paragraph 2.27 below). The FOS has collected the data for this block with the help of trade associations, as there was no existing information on the number of retail accounts. The FOS estimates that it will need to raise a total general levy of £3.1m from this block, which we expect to include approximately 500 firms. The FOS is continuing to receive data on numbers of relevant accounts. Based on the trend of the information received by the FOS so far on numbers of relevant accounts, we propose a tariff-rate of £0.01573 per relevant account with a supplementary levy of £0.0018 per relevant account, subject to a minimum of £29 per firm.
- 2.10 We propose to set a minimum general levy of £250 per firm, and the FOS estimates on the data available that 80% of firms in this block would pay the minimum levy.

#### **Block 2 – Firms undertaking insurance activities subject to prudential regulation only**

- 2.11 This fee block will include general insurance companies and the larger friendly societies. Based on existing data, the FOS has calculated that it will need £2.5m from this block from general levy. The FOS expects that there will be around 500 firms in this block, of which some will have fairly low gross premium income. We propose a tariff-rate of £0.1593 per £1000 of relevant annual gross premium income, with a minimum levy of £250 per firm, which the FOS calculates would be paid by approximately 80% of the firms. We also propose to set a supplementary levy of £0.0184 per £1000 of relevant business, subject to a minimum of £29 per firm.

#### **Block 3 – Society of Lloyds**

- 2.12 The society will pay a single fee for all its members and managing agents, calculated as the cost of handling policyholder complaints against them. The society will then recover those costs from its members and managing agents, as it considers appropriate.

- 2.13 The FOS expects the cost in 2002/03 of handling complaints against members and managing agents in this block to be £201,100. So we therefore propose to set a charge on the society on a corporate basis, with a supplementary levy of £23,000.

**Block 4 – Insurance activities subject to both prudential and conduct of business regulation (long term life insurers)**

- 2.14 This block will include life insurance companies and the larger friendly societies. From existing data, the FOS has calculated that it will require a total general levy of £5m from this block. Also, the FOS believes there will be around 250 members of this block with a wide range of relevant adjusted annual gross premium income. Based on the FOS's data, we propose a general levy tariff-rate of £0.098 per £1000 of relevant adjusted annual gross premium income, with a minimum levy of £100 per firm. The FOS predicts that about 73% of firms would pay the minimum levy. We also propose a supplementary levy of £0.0113 per £1000 of relevant business, subject to a minimum of £12 per firm.

**Block 5 – Fund managers (including those holding client money/assets and not holding client money/assets)**

- 2.15 This block will mainly comprise former IMRO member firms, with a relatively small number of ex-PIA and SFA regulated firms. The FOS has collated its data with the help of the FSA and trade associations but has had difficulty in determining accurately the amount of relevant business, that is business done with retail customers. The data that the FOS has been able to get, so far, suggests that 1500 firms will fall within this industry-block. The FOS considers that it will need a total general levy of £0.95m from this block. Based on the data that the FOS currently holds, we propose to set a tariff-rate of £0.00132 per £1000 of relevant funds under management. This is subject to a minimum levy of £100 which the FOS calculates would be paid by 85% of the members of this fee block. We also propose a supplementary levy of £0.00015 per £1000 of relevant business for firms in this category, subject to a minimum of £12 per firm.

**Block 6 – Operators, trustees, and depositaries of collective investment schemes**

- 2.16 The FOS estimates from existing data that it requires £0.03m in general levy from this block, as it expects to handle fairly few complaints against these firms. The FOS has calculated that it would be uneconomic to collect a minimum levy below £100 for this block. Also, the contribution to the total general levy is small compared to other blocks, and so any tariff-rate would be extremely low. The FOS estimates that the minimum levy will be enough to recover all the expected costs in 2002/03. So we propose to charge each firm

in this block a flat fee of £100. This will apply in 2002/03 but, in common with all FOS industry blocks, the level of funding of the FOS by this sector will be reviewed in the FOS funding consultation for 2003/04. Clearer data on the volumes of complaints and the amount of relevant business will then be available. We also propose to set a flat fee of £12 per firm as the supplementary levy.

### **Block 7 – Dealers as principal**

- 2.17 The FOS does not expect to receive any complaints against firms in this block in 2002/03, as it is unlikely that any dealers as principal will be doing business with ‘eligible complainants’. So all firms in this category are expected to be exempt from the FOS funding rules under DISP 1.1.7R and DISP 5.1.4R. However, should any dealers as principal actually cause a complaint to the FOS because they are dealing with retail customers, we propose that they should contribute a general levy of £100 per trader, with a minimum levy of £100 per firm. We also propose to set a supplementary levy of £12 per trader, or per firm if it is paying the minimum general levy. We will review the tariff-rate in this block as part of the funding process for the following financial year.

### **Block 8 – Advisory arrangers, dealers, or brokers, holding and controlling client money and/or assets and Block 9 – Advisory arrangers, dealers, or brokers, not holding and controlling client money and/or assets**

- 2.18 The FOS estimates from the data it has collected that Block 8 should contribute a total general levy of £0.7m and Block 9 should contribute £1.3m. To determine the total number of relevant approved persons that are likely to fall within each industry-block, the FOS has referred to the numbers of approved individuals as recorded by the FSA. However, these presently exclude any members of former Recognised Professional Bodies who may become authorised persons after N2. So the available data does not accurately reflect the actual number of individuals that will be within these blocks at the start of 2002/03.
- 2.19 The FOS is continuing to refine relevant business data in these blocks. If, during the consultation process, there is a significant change in the estimated number of approved individuals in either or both of these blocks, the tariff-rate will need to be adjusted accordingly. We will address this in the feedback to this paper.
- 2.20 Meanwhile, the proposed tariff-rate for Block 8 is £362 per relevant approved person as the general levy, with a minimum levy of £362 per firm, and £42 per relevant approved person as the supplementary levy, with a minimum of £42 per firm. For to Block 9, we are proposing to charge a tariff-rate of £203 per relevant approved person as the general levy. We also propose for firms in that block to pay a supplementary levy of £23 per relevant approved person, subject to a minimum of £23 per firm.

### **Block 10 – Corporate finance advisers**

- 2.21 As with Block 7 above, the FOS considers it unlikely that it will have to handle any complaints against firms in this industry-block, as the vast majority will not be dealing with ‘eligible complainants’. So our proposal for FOS funding by any firm in this block is the same as for Block 7 (dealers as principal). That is, firms should each pay a general levy of £100 per relevant approved person, with a minimum levy of £100 per firm. Corporate finance advisers would be required to pay a supplementary levy of £12 per relevant approved person, subject to a minimum of £12 per firm.

### **Block 11 – Execution-only arrangers, dealers and brokers**

- 2.22 The FOS has calculated from existing data that there will be approximately 200 firms in this block and expects the Ombudsman to handle very few complaints in 2002/03. Only a small proportion of FOS income is being raised from this block by general levy (estimated by the FOS as £0.02m), with a low expected amount of relevant business. So we are proposing for 2002/03 to charge all firms in this category a flat rate general levy of £100. The FOS also considers it appropriate for firms in this block to pay a flat rate supplementary levy of £12 per firm. As with all other industry-blocks, the contribution to FOS funding by Block 11 firms will be reviewed following actual experience of complaints handling and relevant business, in the consultation process for the financial year 2003/04.

### **Block 12 – Advisers only**

- 2.23 From data that the FOS has obtained, this block will comprise 850 relevant approved persons. The FOS has calculated that the total amount which Block 12 will need to contribute towards the costs of the FOS is £0.09m. So we therefore propose to charge a tariff-rate of £105 for each relevant approved person, subject to a minimum levy of £105 per firm. We also propose that each firm should pay a supplementary levy of £12 per relevant approved person, subject to a minimum of £12 per firm.

### **Block 13 – Cash plan health providers and Block 15 – Small friendly societies**

- 2.24 As noted in the feedback to CP74,<sup>6</sup> we have adopted modified funding arrangements for cash plan health providers (Block 13) and ‘small’ friendly societies (i.e. friendly societies in which at least 95% of business is tax-exempt (Block 15)). Part of the modified arrangements involves firms in each block contributing a minimum levy of £50 per firm, and not paying any case fees.

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<sup>6</sup> ‘Dispute Resolution: the Complaints Sourcebook – a joint FSA/FOS Policy Statement on CP74 and CP99 (including the made text of DISP 1-4 and ‘final’ text of DISP 5); and an FOS Consultation Paper on Transitional Case Fees.’ (October 2001).

- 2.25 As referred to in paragraph 3.54 of the policy statement to CP74, cash plan health providers have asked to pay a general levy of the total cost to the FOS of handling complaints against them, divided equally between themselves. Based on the information provided, the FOS has predicted a cost of £1,250 for handling complaints against cash plan health providers, and there are expected to be about 30 firms in Block 13. This gives a flat rate general levy of £50 per firm. We also consider it appropriate for cash plan health providers to pay a supplementary levy of £6 per firm.
- 2.26 Because of the small amount which the FOS estimates it will need to fund Block 15 in 2002/03 (£12,300), we propose to charge a minimum levy of £50 to all small friendly societies. These are friendly societies in which 95% of the business done is tax-exempt. As with Block 6 (see paragraph 2.16 above), the FOS considers that the value of relevant business done by this sector is likely to be very small, and this would result in a negligible tariff-rate. So we propose to have a flat fee of £50 per firm as the general levy, and to review the contribution from this block as part of the 2003/04 funding process. The supplementary levy payable by small friendly societies is proposed as £6 per firm. As explained in the feedback to CP74, we expect that almost all friendly societies will come within Block 15.

#### **Block 14 – Credit Unions**

- 2.27 Following our proposals in CP94,<sup>7</sup> and as explained in the feedback to CP74, we have also adopted modified funding arrangements for all credit unions regardless of size, including a requirement that they should pay a minimum levy of £50. The FOS estimates that the costs of this block in 2002/03 can be met in full by all credit unions paying the minimum levy. So we propose a flat fee of £50 for that financial year. The supplementary levy which we propose to charge is £6 per credit union.

**Please comment on the above proposals on tariff-rates and the supplementary levy by 21 February 2002.**

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7 CP94: Credit unions: consumer compensation and consumer complaints.' (May 2001).

# 3 Information requirement

- 3.1 As mentioned in paragraph 1.1, we are proposing a minor revision to the information requirement rule. This does not involve a change of policy, and is intended to clarify the existing ‘final’ rule, which states:

**DISP 5.5.1 R**

*A firm must provide the FSA by the end of February each year with a statement of the total amount of relevant business (measured in accordance with the appropriate tariff bases(s)) which it conducted, as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff-base for each of the industry blocks set out in DISP 5 Ann 1R.*

- 3.2 The proposed revision would enable firms to provide their best estimate of the relevant business data, instead of a statement. The new rule would state:

**(new) DISP 5.5.1 R**

- (1) *A firm must provide the FSA by the end of February each year with a statement of the total amount of relevant business (measured in accordance with the appropriate tariff bases(s)) which it conducted, as at or in the year to 31 December of the previous year as appropriate, in relation to the tariff-base for each of the industry blocks set out in DISP 5 Ann 1R.*
- (2) *If a firm cannot provide a statement of the total amount of relevant business as required by DISP 5.5.1R, it must provide the best estimate of the amount of relevant business that it conducted.*

- 3.3 Please comment by 21 February on the proposed addition to the rule on information provision.

# 4 Supplementary levy

- 4.1 As mentioned in paragraph 1.1, we are proposing a revision to the rule relating to the calculation of the supplementary levy. The rule in its current form states:

**DISP 5.7.6R**

*A firm's supplementary levy is a sum payable in accordance with the fee tariffs set out in part 5 of DISP 5 Ann 1R and will be calculated in the same way as the general levy in DISP 5.4.8R.*

- 4.2 In order to make it clearer that firms can determine the amount they must pay towards the supplementary levy in the same way that they calculate their general levy contribution, we propose to amend DISP 5.7.6R as follows:

*A firm's supplementary levy is a sum payable in accordance with the fee tariffs set out in part 2 of DISP 5 Ann 1R and is calculated by following the steps set out in DISP 5.4.8R(1) to (3).*

The updated draft of DISP 5 Ann1R is at Annex B, and former part 5 has now been renumbered as part 2.

- 4.3 Please comment on this proposal by 21 February 2002.

## Comparison of FOS industry-blocks and FSA fee-blocks

FOS Division	FOS Industry Block + Business Activity	Tariff Base for FOS	FSA Fee Block + Activity Grouping	Tariff Base(s) for FSA
<b>Banking &amp; Loans</b>	1 – Deposit acceptors, Mortgage lenders and administrators (excluding firms in block 14)	Number of accounts relevant to the activities in DISP 2.6.1R	A1 - deposit acceptors including credit unions	Modified eligible liabilities
			A2 – Mortgage lenders and administrators	Outstanding – for proposal
	<b>Insurance</b>	2 – Firms that undertake insurance activities subject to prudential regulation only. (excluding firms in blocks 13 & 15)	Relevant annual gross premium income	A3 – insurance activities subject to prudential regulation only
3 – Society of Lloyds		To be allocated by the Society	A5 – Managing Agents at Lloyds A6 – Society of Lloyd’s	N/A
4 – Firms that undertake insurance activities subject to both prudential and conduct of business regulation (long term life insurers) (excluding firms in block 15)		Relevant adjusted annual gross premium income	A4 – insurance activities subject to both prudential and conduct of business regulation	Adjusted gross premium income.
<b>Investments</b>	5 – Fund managers (including those holding client money/assets and not holding client money/assets)	Relevant funds under management	A7 – Fund managers - holding client money and/or assets under Management	Funds under Management
			A8 – Fund managers - not holding either client money and/or assets	
	6- Operators, Trustees and Depositories of collective investment schemes	Relevant annual gross income	A9 –Operators, Trustees and Depositories of collective investment schemes	Gross income

<b>FOS Division</b>	<b>FOS Industry Block + Business Activity</b>	<b>Tariff Base for FOS</b>	<b>FSA Fee Block + Activity Grouping</b>	<b>Tariff Base(s) for FSA</b>
	7 – Dealers as Principal	Number of relevant traders	A10 – Dealing as principal	Number of traders
	8 – Advisory arrangers, dealers, or Brokers holding and controlling client money and/or assets	Number of relevant approved persons (Controlled functions 21,22,24,25,26)	A12 – Advisory arrangers, dealers, or Brokers holding and controlling client money and/or assets	Number of approved persons (Controlled functions 21,22,24,25,26)
	9 – Advisory arrangers, dealers, or Brokers not holding and controlling client money and/or assets	Number of relevant approved persons (Controlled functions 21,22,24,25,26)	A13 – Advisory arrangers, dealers, or Brokers not holding and controlling client money and/or assets	Number of approved persons (Controlled functions 21,22,24,25,26)
	10 – Corporate Finance advisers	Number of relevant approved persons (Controlled function 23)	A14 – Corporate Finance Advisers	Number of approved persons (Controlled function 23)
	11 – Execution-only arrangers, dealers or broker	Relevant annual commission or fee income	A11 – Execution-only arrangers, dealers or brokers	Commission or fee income
	12 – Advisers only	Number of relevant approved persons (Controlled functions 21,22,24,25)	A15 – Advisory only	Number of approved persons (Controlled functions 21,22,24,25)
<b>Insurance</b>	13 – Cash plan health providers	Flat fee	Not applicable	Not applicable
<b>Banking &amp; Loans</b>	14 – Credit Unions	Gross assets	Not applicable	Not applicable
<b>Investments</b>	15–Friendly societies whose tax exempt business represents 95% or more of their total relevant business	Relevant annual gross premium income	Not applicable	Not applicable

Draft DISP 5 Ann 1R –  
annual fees payable in  
relation to 2002/03

# DISP 5 Ann 1R: Annual Fees Payable in Relation to 2002/03

## Introduction: Annual budget

- 1 The FOS annual budget for 2002/03 approved by the FSA is £28.2m.

## Part 1: General levy and Supplementary levy

- 2 The total amount of the general levy to be raised in 2002/03 will be £14.1m.

## Part 2: Fee tariffs for General levy and Supplementary levy

- 3 The total amount of establishment costs to be raised in 2002/03 by the supplementary levy is £1.6m.
- 4 Table: fee tariffs for industry blocks

Industry Block	Tariff Base	General levy payable by firm	Supplementary levy payable by firm
1–Deposit acceptors, mortgage lenders and administrators (excluding firms in block 14)	Number of accounts relevant to the activities in DISP 2.6.1R	£0.01573 per relevant account, subject to a minimum levy of £250	£0.0018 per relevant account, subject to a minimum levy of £29
2–Firms that undertake insurance activities, subject to prudential regulation only (excluding firms in blocks 13 & 15).	Relevant annual gross premium income	£0.1593 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £250	£0.0184 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £29
3–Society of Lloyd’s	To be allocated by the Society	£201,100 to be allocated by the Society	£23,000 to be allocated by the Society
4–Firms that undertake insurance activities, subject to both prudential and conduct of business regulation (long term life insurers) (excluding firms in block 15)	Relevant adjusted annual gross premium income	£0.098 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £100	£0.0113 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £12

5–Fund managers (including those holding client money/assets and not holding client money/assets)	Relevant funds under management	£0.00132 per £1,000 of relevant funds under management, subject to a minimum levy of £100	£0.00015 per £1,000 of relevant funds under management, subject to a minimum levy of £12
6–Operators, Trustees and Depositories of collective investment schemes	Flat fee	Levy of £100	Levy of £12
7–Dealers as Principal	Number of relevant traders	£100 per relevant trader, subject to a minimum levy of £100	£12 per relevant trader, subject to a minimum levy of £12
8–Advisory arrangers, dealers or Brokers holding and controlling client money and/or assets	Number of relevant approved persons (Controlled functions 21, 22, 24, 25, 26)	£362 per relevant approved person (controlled functions 21, 22, 24, 25, 26), subject to a minimum levy of £362	£42 per relevant approved person (controlled functions 21, 22, 24, 25, 26), subject to a minimum levy of £42
9–Advisory arrangers, dealers or Brokers not holding and controlling client money and/or assets	Number of relevant approved persons (Controlled functions 21, 22, 24, 25, 26)	£203 per relevant approved person (controlled functions 21, 22, 24, 25, 26), subject to a minimum levy of £203	£23 per relevant approved person (controlled functions 21, 22, 24, 25, 26), subject to a minimum levy of £23
10–Corporate Finance Advisers	Number of relevant approved persons (Controlled function 23)	£100 per relevant approved person (controlled function 23), subject to a minimum levy of £100	£12 per relevant approved person (controlled function 23), subject to a minimum levy of £12
11–Execution–only arrangers, dealers or brokers	Flat fee	Levy of £100	Levy of £12
12–Advisers only	Number of relevant approved persons (Controlled functions 21, 22, 24, 25)	£105 per relevant approved person (Controlled functions 21, 22, 24, 25), subject to a minimum levy of £105	£12 per relevant approved person (controlled functions 21, 24, 25), subject to a minimum levy of £12
13–Cash plan health providers	Flat fee	Levy of £50	Levy of £6

14–Credit Unions	Flat fee	Levy of £50	Levy of £6
15–Friendly Societies whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £50	Levy of £6

The industry blocks in the table are the same as the equivalent activity groups set out in part 7 of SUP 20 Ann 1R

Where the tariff base in the table is defined in the same terms as the tariff base for the equivalent activity group set out in part 7 of SUP 20 Ann 1R, it must be calculated in the same way as that tariff base except that it takes into account only the firm’s relevant business.

### Part 3: Case Fees

#### Standard Case Fees and Special Case Fees

Governing Provisions	Case Fee	Amount
DISP 5.6.1R	Standard	£360
DISP 5.6.6R	Special case fee: complaints from small businesses	£720
DISP 5.6.7R	Special case fee: firms which cease to be authorised	£720
DISP 5.6.8R	Special case fee: unauthorised persons who were subject to a former scheme	£720

# Overview of general levy and supplementary levy for 2002/03

## Annex C

INDUSTRY BLOCK	GENERAL LEVY			SUPPLEMENTARY LEVY			CONTRIBUTION BY BLOCK %	
	TARIFF-RATE(£)	MIN LEVY £	BLOCK TOTAL £	TARIFF-RATE(£)	MIN LEVY £	BLOCK TOTAL £		
1	Deposit acceptors, mortgage lenders and administrators (excluding firms in block 14)	£0.01573 (Per Relevant Account)	£250	£3,060,100	£0.0018 (Per Relevant Account)	£29	£354,000	21.73%
2	Firms that undertake insurance activities subject to prudential regulation only (excluding firms in blocks 13 & 15)	£0.1593000 (Per £1000 relevant annual gross premium income)	£250	£2,515,769	£0.0184 (Per £1000 relevant annual gross premium income)	£29	£291,000	17.87%
3	Society of Lloyd's	N/A	n/a	£201,100	N/A	£23,000	£23,000	1.43%
4	Firms that undertake insurance activities subject to both prudential and conduct of business regulation (long term life insurers) (excluding firms in block 15)	£0.0980000 (Per £1000 relevant adjusted annual gross premium income)	£100	£5,011,049	£0.0113000 (Per £1000 relevant adjusted annual gross premium income)	£12	£580,000	35.59%
5	Fund managers (including those holding client money/assets and not holding client money/assets)	£0.00132000 (Per £1000 relevant funds under management)	£100	£951,915	£0.00015 (Per £1000 relevant funds under management)	£12	£111,000	6.76%
6	Operators, Trustees and Depositories of collective investment schemes	0 (Per £ Relevant Annual Gross Income)	£100	£32,600	N/A (Per £ Relevant Annual Gross Income)	£12	£3,767	0.23%
7	Dealers as Principal	£100 (Per relevant trader)	£100	£163,000	£12 (Per relevant trader)	£12	£19,000	1.16%
8	Advisory arrangers, dealers or Brokers holding and controlling money and/or assets	£362.00 (Per Relevant Approved Person)	£362.00	£668,487	£42 (Per Relevant Approved Person)	£42	£77,210	4.75%
9	Advisory arrangers, dealers or Brokers not holding and controlling money and/or assets	£203.00 (Per Relevant Approved Person)	£203	£1,290,688	£23 (Per Relevant Approved Person)	£23	£150,000	9.17%
10	Corporate Finance Advisers	£100 (Per Relevant Approved Person)	£100	£30,400	£12 (Per Relevant Approved Person)	£12	£3,511	0.22%
11	Execution-only arrangers, dealers or brokers	0 (Per £ relevant annual commission or fee income)	£100	£20,400	N/A (Per £ relevant annual commission or fee income)	£12	£2,357	0.14%
12	Advisers only	£105.00 (Per Relevant Approved Person)	£105	£88,956	£12 (Per Relevant Approved Person)	£12	£10,274	0.63%
13	Cash plan health providers	0 (Per £ relevant annual gross premium income)	£50	£1,250	N/A (Per £ relevant annual gross premium income)	£6	£144	0.01%
14	Credit Unions	0 (Per £ gross assets)	£50	£31,900	N/A (Per £ gross assets)	£6	£3,686	0.23%
15	Friendly Societies whose tax-exempt business represents 95% or more of their total relevant business	0 (Per £ relevant annual gross premium income)	£50	£12,300	N/A (Per £ relevant annual gross premium income)	£6	£1,421	0.09%
<b>TOTAL - ALL BLOCKS</b>				<b>£14,079,914</b>		<b>£1,630,370</b>	<b>100.00%</b>	