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Financial Services Authority

Consultation on funding the Financial Ombudsman Service 2004/2005

December 2003



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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 19 February 2004.

Comments may be sent by electronic submission using the form on the FSA's website (at www.fsa.gov.uk/pubs/cp/cp208_response.html), by email or in writing to:

Alison Pape
Consumer Division
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 020 7066 9076
Fax: 020 7066 9077
E-mail: cp208@fsa.gov.uk

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

1 Executive summary

- 1.1 We (the FSA) have made a commitment to consult annually on the general levy on firms to fund the Financial Ombudsman Service (the FOS). This Consultation Paper consults on the proposed FOS general levy tariff in 2004/05. As part of its annual budget consultation process, the FOS will consult on the case fees that it proposes to charge firms in 2004/05.
- 1.2 Overall we are proposing to increase the amount of general levy that firms will have to pay. This will result in lower tariff rates in 3 funding blocks. However, in 5 blocks the rate will go up in 2004/05. This is due mainly to increased volumes of complaints against firms in these blocks.
- 1.3 The rules on FOS funding are in DISP 5, in Block 4 'Redress' in the FSA Handbook. We invite comments on this consultation by 19 February 2004. However, you should note that the FOS's consultation on its case fees (covered in its draft Plan and Budget consultation 2004/05¹) also closes on that date.
- 1.4 We are consulting for two months on the proposals in this paper, which is a shorter period than usual for our consultations. This is because the rules on funding the FOS must be in force from 1 April 2004, the start of the FOS's next financial year. The proposed rules on the FOS general levy tariff rates must include reference to details of expected expenditure before they can come into force². That expenditure varies each year according to the FOS's draft budget for the next financial year, which they prepare each November based on their experience of complaints volumes over the previous eight months. Earlier preparation of the FOS's draft budget would result in the FOS's estimates for the next financial year being based on less accurate data.

1 This will be published on the FOS website (www.financial-ombudsman.org.uk/publications) in January 2004.

2 Financial Service and Markets Act 2000 section 155(3).

We believe that a two month consultation is a reasonable balance between:

- the time needed for consultation;
- the FOS's need to have enough data to draw up expected costs and complaints volumes for the year ahead; and
- the timings of the FOS's and our respective Boards.

1.5 Following consultation, we will publish a feedback paper, with final rules, in early April. All rule changes will take effect from 1 April 2004.

FOS funding arrangements will be of interest to firms and trade bodies rather than consumers.

2 Introduction

Background

- 2.1 As a result of previous consultations, we have adopted the following approach to funding FOS:
- The FOS recovers its annual budget 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 2003/04, 36% of the FOS's total expenditure will be met by a general levy on all firms and 64% by case fees.
 - There is a minimum levy in each industry block, with no maximum, and firms are allocated levies on a 'straight line' basis. This means that they increase uniformly with the amount of 'relevant business' done by the individual firm (ie business done with private individuals).
- 2.2 Our power to raise the general levy 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. In the light of the FOS's draft budget, we consult each year on the general levy tariff rates payable by firms in each funding block in the following financial year.
- 2.3 The FOS is consulting¹ separately from us, as part of its annual budget consultation process, on the case fees that it proposes to charge firms in 2004/05.
- 2.4 FOS fee blocks for the general levy mirror, as far as possible, our fee blocks for regulatory fee-raising through our periodic fees. Firms fall into the FOS industry block that corresponds to their FSA block, based on their permissions. Annex 4 shows how FOS industry blocks correspond to our fee

¹ Draft FOS Plan and budget for 2004/05 (January 2004)

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.

Purpose of paper

- 2.5 This paper consults on the proposed general levy tariff rates payable in 2004/05, and will enable firms to calculate how much they are expected to contribute towards funding the FOS in the next financial year.
- 2.6 In 2004/05 we are proposing to reduce general levy tariff rates in some of the funding blocks. We are proposing higher tariff rates for the advisory fee blocks than in 2003/04 to reflect complaint volumes.
- 2.7 Chapter 3, supported by Annex 2, explains the proposed changes to general levy tariff rates for each industry block in the next financial year. Annex 3 shows how we intend to apportion the general levy between industry blocks in 2004/05, and how that compares to this year's weighting.
- 2.8 Chapter 4 explains the other minor proposed amendments to DISP. This involves changing the way we collect the general levy.
- 2.9 Chapter 5 sets out how the changes we are proposing are compatible with our principles of good regulation. 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 analysis².
- 2.10 Annex 1 sets out the questions on which we invite your responses by 19 February 2004, and the resulting Handbook changes on which we are consulting are in Annex 2 and Annex 5.

Next steps

- 2.11 The consultation period for these proposals closes on 19 February 2004. When we have analysed responses to the consultation, we will produce a feedback statement with the final versions of the rules in April 2004. The amendments will come into force on 1 April 2004.
- 2.12 This consultation is complemented by the FOS's own consultation on its Plan and Budget 2004/05, which includes new proposals for case fees and will clarify their powers to take enforcement action against voluntary jurisdiction participants who fail to pay the levy and/or case fees. This new policy would come into force on 1 April 2004.

2 FSMA Section 155(9)(c)

3 General levy tariff rates 2004/05

- 3.1 This chapter explains how we have reached the proposed tariff rates for firms in each industry block for 2004/05.

General levy: case fee split

- 3.2 The FOS recovers a proportion of its annual expenditure through a general levy raised from all participating firms and the remainder through case fees. In the current financial year the FOS's total budget was £33.1 million and it expected to raise 36% (£11.9m) of this through the general levy and 64% (£21.2m) through the case fee.

The following table summarises how our proposals for the next financial year compare with this year's funding of the FOS:

	2003/04	Proposals for 2004/05
Budget	£33.1m	£45m (subject to FOS consultation)
General levy/case fee split	36/64	31/69 (proposed)
Estimated number of new complaints	60,000	90,000 (subject to FOS consultation)

- 3.3 The proportions of FOS budget raised from general levy and case fees has moved from the original concept of a 50:50 split to a greater proportion being paid by case fees. This change in policy was confirmed following consultation in last year's Financial Ombudsman Service's *Plan & Budget* document. We propose that the 2004/05 general levy will recover 31% of the FOS's costs, and they will recover 69% of their budget by case fees. This is in line with the policy objective of ensuring that the split broadly allows the cost of the case handling costs of the Financial Ombudsman Service to be recovered

through case fees, and the overhead costs through the levy. This approach would ensure that firms that generate complaints will pay a greater proportion of the costs of the Financial Ombudsman Service. We do not expect the 2004/05 standard case fee of £360 to change next financial year and this will be covered in the FOS's budget consultation¹.

- 3.4 At the end of March 2003, the FOS had accumulated a budget surplus of £4.0m due to significantly higher complaint volumes (and therefore case fees) than predicted. As a one-off measure we are proposing to use £2.0m of the surplus to reduce the amount to be collected through general levy in 2004/05 from £14.5m to £12.5m. The FOS will be consulting in early January 2004 on its 2004/05 budget proposals including the policy on its level of reserves.
- 3.5 While the overall levy is increasing, we are proposing lower tariff rates in a number of funding blocks. The main exceptions are in the advisory funding blocks (Block 8 and 9) and in CIS funding block (Block 6) where rates are proposed to rise. The reasons for this are set out in detail in paragraphs 3.15 to 3.17 and 3.13. The proposed 2004/05 general levy tariff rates are shown in Annex 2, and firms can compare the proposals with the current financial year's rates in Annex 3.

Q1 Do you agree with the levy proposals in paragraph 3.3 to 3.5?

Tariff rates by funding block

- 3.6 The proposed 2004/05 tariff rates for each FOS funding block are in Annex 2. Annex 3 gives an overview of tariff rates for each industry block this financial year and the proposed rates for next financial year so that firms can compare the changes we are proposing. For reference, Annex 4 sets out how firms' allocation to FOS industry blocks corresponds to the fee blocks to which they belong for FSA periodic fees.
- 3.7 As with the change in tariff rates from 2002/03 to this financial year, some of the tariff rates we propose for 2004/05 are lower than this year's. This is partly due to the overall decrease in the proportion of FOS budget being recovered through the general levy and a greater reliance on case fees. There are increases in the fee blocks for advisory firms holding and not holding client money (Blocks 8 and 9) and operators, trustees and depositaries of collective investment schemes (Block 6). There will also be a slight increase in the tariff rate in two blocks; insurance activities subject to both prudential and conduct of business regulation (Block 4) and fund managers holding and not holding client money/assets (Block 5).

¹ Draft FOS Plan and Budget for 2004/05 (January 2004). This will be published on the FOS website (www.financial-ombudsman.org.uk).

Block 1 – deposit acceptors, mortgage lenders and administrators

- 3.8 This block includes approximately 325 banks, building societies and mortgage lenders and administrators but excludes credit unions (which are in block 14). The FOS estimates that it will need to raise a total general levy of £1.6m next financial year from this block, around £1m less than in 2003/04. We also propose a lower tariff rate of £0.0069 per relevant account with the minimum levy remaining at £200 per firm. The FOS calculates that 70% of firms in this block would pay the minimum levy.

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

- 3.9 This industry block includes general insurance companies and the larger friendly societies, around 225 firms in total. The FOS calculates that it will need to raise £1.6m from this block in 2004/05, about £0.5m less than in the current financial year. We propose a tariff rate of £0.081 per £1000 of relevant annual gross premium income, with the minimum levy remaining at £200 per firm, which the FOS estimates would be paid by 55% of firms in this block.

Block 3 – Society of Lloyds

- 3.10 The society pays a single fee for all its members and managing agents, calculated as the cost of handling policyholder complaints against them. The society then recovers those costs from its members and managing agents, as it considers appropriate. The current general levy is £88,000. The FOS estimates that it will cost £47,000 to handle complaints against members and managing agents in this block in 2004/05.

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

- 3.11 This block includes life insurance companies and the larger friendly societies. The FOS has calculated that it will need to raise a general levy of £4.6m from the block, a slight increase of £100,000. There are approximately 180 members of this block, and we propose a tariff rate in 2004/05 of £0.093 per £1000 of relevant adjusted annual gross premium income, similar to this year's rate of £0.092 per £1000. The FOS estimates that this block's contribution to the overall general levy will remain at just below 38% next year. We propose the minimum levy to remain at £100 in 2004/05.

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

- 3.12 This block comprises mainly former IMRO member firms and some former PIA and SFA regulated firms. The FOS estimates that it will need a general levy of £0.8m in 2004/05 from approximately 1100 firms in this block, a reduction of around £80,000 from this year. We propose a tariff rate of £0.00188 per £1000 of relevant funds under management, a slight increase from the current tariff rate. The FOS calculates that around 75% of firms in the block will pay the minimum levy, which we propose to keep at £100 per firm in 2004/05.

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

- 3.13 There has been a steep increase during the year in complaints against firms in this block, mainly relating to split capital investment trusts. At present there are more than 3,000 cases being investigated. So the general levy needed from this block is expected to increase from £29,000 this year to £285,000. We therefore propose a change to the general levy, from a flat fee of £75 this year to a tariff rate of £0.193 per £1000 of relevant annual gross income in 2004/05, subject to a minimum levy of £75 per firm.

Block 7 – Dealers as principal

- 3.14 In the light of complaints experience so far this year the FOS does not anticipate dealing with many complaints in relation to this block. The majority of dealers as principal are unlikely to do business with ‘eligible complainants’, so will be exempt from DISP under DISP 1.1.7R. We therefore propose to maintain a flat rate general levy of £75 for all non-exempt firms in this block in 2004/05.

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

- 3.15 The FOS has experienced higher numbers of complaints against both these blocks this year, especially in relation to mortgage endowments. We are therefore proposing to increase the amount of general levy recovered from firms, to reflect the costs of the FOS having to deal with more complaints in these blocks.

- 3.16 The current tariff rate for block 8 is £35 per relevant approved person with a minimum levy of £75 per firm. In the light of the number of complaints expected, we are proposing a general levy tariff rate of £65 per relevant approved person in 2004/05 subject to a minimum levy of £75 per firm. The total amount we propose to collect from block 8 in 2004/05 is £2.2m, compared to £830,000 this financial year.
- 3.17 For the same reasons, we are proposing a tariff rate in block 9 of £30 per relevant approved person, rising from £20 in 2003/04. The minimum levy of £75 per firm in 2003/04 is expected to remain the same in 2004/05. Overall we are expecting to collect £1.2m from this block next year compared to £0.7m in 2003/04.

Block 10 – Corporate finance advisers

- 3.18 The FOS does not expect the costs of this block to increase in 2004/05. So we propose to maintain a flat rate general levy of £75 per firm next year.

Block 11 – Execution-only arrangers, dealers and brokers

- 3.19 We deleted the equivalent fee block for FSA periodic fees in 2003/04, after the FOS funding rules for the year came into force. As explained in the policy statement to CP 168² we did not consider this block viable for FSA fees purposes. There is therefore no FOS block 11. The 40 firms in this block have been allocated to other blocks, mainly block 8.

Block 12 – Advisers only

- 3.20 We deleted FSA fee block A 15 (Advisers only) in June 2002, after the FOS funding rules had come into force. There is therefore no equivalent FOS fee block. The small number of firms in this block have been reallocated to block 8 or 9 depending on whether they hold and control client money.

Block 13 – Cash plan health providers, Block 14 – Credit unions and Block 15 – Small friendly societies whose tax exempt business represents 95% or more of their total relevant business

- 3.21 As in previous years we propose to keep the modified funding arrangements that were accepted following consultation³. The net effect is that these firms would each pay a flat fee general levy of £50 and would not pay case fees in 2004/05.

² Consolidated policy statement on our fee raising framework (June 2003).

³ CP 119: 'Consultation on the general levy and supplementary levy for funding the Financial Ombudsman Service 2002/2003' (January 2002) paragraphs 2.18-2.27; 'Financial Ombudsman Service general levy and supplementary levy 2002/03 – Feedback on CP 119' (April 2002) paragraphs 2.23-2.27.

Q2 Please comment on the proposed tariff rates by 19 February 2004.

Case fees

- 3.22 Case fees are set by the FOS and need our approval. The FOS is consulting separately in January 2004 on the case fees it proposes to charge next financial year. Subject to the FOS's consultation, we do not expect any increase to the standard case fee of £360. The FOS is due to consult on a change to the level of the special case fee payable where firms do not contribute to the general levy for certain reasons. The FOS is also expected to consult on proposals to alter the case fee charging system.
- 3.23 The case fees are part of DISP 5 Annex 1R and will therefore be determined by the FOS subject to our approval in March 2004. They will come into force on 1 April next year together with the general levy funding rules.

4 Other amendments to DISP 5

- 4.1 This chapter outlines one other minor change we are proposing to the funding rules and guidance in 2004/05.

Invoicing arrangements

- 4.2 Under DISP 5.8, firms are required to pay the general levy directly to the FOS. We have considered the effectiveness of this arrangement and we believe it would be more efficient for firms and the FOS, if we were responsible for invoicing and collecting the FOS general levy. This would enable us to issue a single invoice for FSA, FOS and Financial Services Compensation Scheme (FSCS) fees every year. Firms would therefore be able to see at a glance what they are expected to pay towards the costs of regulation and consumer protection. These revised invoicing arrangements would not apply to the voluntary jurisdiction or case fees. FOS Ltd remains responsible for the invoicing and collection of the voluntary jurisdiction general levy and the case fees. FOS will consult on any consequential amendments required to DISP 4 resulting from these changes.
- 4.3 For this arrangement to work effectively we propose to remove the option for firms to pay the general levy by quarterly direct debit. Few firms have elected to pay quarterly and payment by annual direct debit will still be available. Annex 5 shows our proposed amendment to DISP 5.8.1R. All other amendments are as a consequence of this change.

5 Cost benefit analysis and compatibility statement

Cost Benefit Analysis

- 5.1 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 analysis¹. This applies to the proposed minor rule changes to DISP 5.
- 5.2 In putting forward proposals for aligning the collection of the FOS general levy with the collection of FSA fees and in the rule amendments proposed, we have had regard to the principles of good regulation in FSMA.

Meeting our statutory objectives

- 5.3 The considerations taken into account in deciding the proposed FOS funding arrangements are exactly the same as last year².

Using resources in the most economic and efficient manner

- 5.4 The proposal for us to take over the administration and collection of the general levy has taken into account the need to be economic and efficient and will benefit us, the FOS and firms. By issuing a single bill for FSA, FOS and FSCS fees the efficiency of the process will be significantly improved and should assist firms. As detailed in paragraph 4.3 we propose to remove the option for firms to pay by quarterly direct debit.
- 5.5 The other principles have no material relevance.

1 FSMA Section 155(9)(c)

2 CP 161: *'Consultation on funding the Financial Ombudsman Service in 2003/2004 and exemptions to DISP'*

Is the FSA acting in the most appropriate way?

- 5.6 In considering the proposals for improving the administrative arrangements for collection of the general levy and the associated data, we have increased benefits without increasing costs, which means that making no changes would not have maximised efficiency. Hence, it would not have been appropriate.
- 5.7 In respect of the rule changes, the areas where we are proposing changes have been identified to us, the FOS and firms. The proposals make the minimum amount of change needed to ensure that the rules and guidance give effect to our intention. We consider, therefore, that we are acting in the most appropriate way.

List of questions

- Q1: Do you agree with the levy proposals in paragraph 3.3 to 3.5?
- Q2: Please comment on the proposed tariff rates by 19 February 2004.
- Q3: Do you have any comments on the proposed amendment to DISP 5.8.1R?

Draft DISP 5 Ann1R –
annual fees payable in
relation to 2004/05

Introduction: annual budget

1 The *annual budget* for 2004/05 approved by the FSA is £45m.

Part 1: general levy and supplementary levy

2 The total amount expected to be raised through the *general levy* in 2004/05 will be £12.5 m.

Part 2: Fee tariffs for general levy and supplementary levy

3 No *establishment costs* will be raised in 2004/05 by the *supplementary levy*.

Table: fee tariffs for industry blocks

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, mortgage lenders and administrators (excluding <i>firms</i> in block 14)	Number of accounts relevant to the activities in <i>DISP</i> 2.6.1R	£0.0069 per relevant account, subject to a minimum levy of £200
2- <i>Firms</i> that undertake insurance activities, subject to prudential regulation only (excluding <i>firms</i> in blocks 13 & 15).	Relevant annual gross premium income	£0.081 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £200
3- <i>Society</i> of Lloyd's	To be allocated by the <i>Society</i>	£47,266 to be allocated by the <i>Society</i>
4- <i>Firms</i> that undertake insurance activities, subject to both prudential and conduct of business regulation (<i>long-term life insurers</i>) (excluding <i>firms</i> in block 15)	Relevant adjusted annual gross premium income	£0.093 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £100

5-Fund managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	Relevant funds under management	£0.00188 per £1,000 of relevant funds under management, subject to a minimum levy of £100
6-Operators, trustees and depositaries of collective investment schemes	Relevant adjusted annual gross premium income	£0.193 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £75
7-Dealers as principal	Flat fee	Levy of £75
8-Advisory arrangers, dealers or brokers holding and controlling <i>client money</i> and/or assets	Number of relevant <i>approved persons</i> (<i>controlled functions</i> 21, 22, 24, 25, 26)	£65 per relevant <i>approved person</i> (<i>controlled functions</i> 21, 22, 24, 25, 26), subject to a minimum levy of £75
9-Advisory arrangers, dealers or brokers not holding and controlling <i>client money</i> and/or assets	Number of relevant <i>approved persons</i> (<i>controlled functions</i> 21, 22, 24, 25, 26)	£30 per relevant <i>approved person</i> (<i>controlled functions</i> 21, 22, 24, 25, 26), subject to a minimum levy of £75
10-Corporate finance advisers	Flat fee	Levy of £75
11-	N/A for 2004/05	
12-	N/A for 2004/05	
13-Cash plan health providers	Flat fee	Levy of £50
14-Credit unions	Flat fee	Levy of £50
15-Friendly societies whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £50

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

5 Where the tariff base in the table is defined in similar terms as that for the equivalent activity group in part 7 of SUP 20 Ann 1R, it must be calculated in the same way as

that tariff base - taking into account only the *firm's relevant business*.

PART 3: case fees

Table: 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	£550
DISP 5.6.7R	Special case fee: firms which cease to be authorised	£550
DISP 5.6.8R	Special case fee: unauthorised persons who were subject to a former scheme	£550

General levy overview 2004/05

OVERVIEW OF GENERAL LEVY FOR 2003/04 AND 2004/05

INDUSTRY BLOCK	Description	Tariff Basis	Proposed Tariff Rate	2003/04 Tariff Rate	Proposed Minimum levy per firm	Proposed total	2003/04 total	Proposed contributions by Block %	Contribution by Block % 2003/04
1	Deposit acceptors, mortgage lenders and administrators (excluding firms in block 14)	Per relevant account	0.0069	0.0125	200	£1,642,886	£2,618,000	13.14%	21.95%
2	Firms that undertake insurance activities subject to prudential regulation only (excluding firms in blocks 13 & 15)	Per £1000 of relevant annual gross premium income	0.081	0.116	200	£1,569,393	£2,113,440	12.56%	17.71%
3	Society of Lloyds		n/a	n/a	n/a	£47,266	£88,060	0.38%	0.74%
4	Firms that undertake insurance activities subject to both prudential and conduct of business regulation (long term life insurers) (excluding firms in block 15)	Per £1000 of relevant adjusted annual gross premium income	0.093	0.092	100	£4,654,804	£4,522,000	37.24%	37.91%
5	Fund managers (including those holding client money/assets and not holding client money/assets)	Per £1000 relevant funds under management	0.00188	0.00187	100	£805,275	£880,600	6.44%	7.38%
6	Operators, Trustees & Depositories of collective investment schemes	Per £1000 relevant annual gross income	0.193	0	75	£284,716	£28,875	2.28%	0.24%
7	Dealers as Principal	Per relevant trader	0	0	75	£16,950	£35,100	0.14%	0.29%
8	Advisory arrangers, dealers or brokers holding and controlling client money and/or assets	Per relevant approved person	65	35	75	£2,233,820	£833,000	17.87%	6.98%
9	Advisory Arrangers, dealers or brokers NOT holding and controlling client money and/or assets	Per relevant approved person	30	20	75	£1,163,790	£714,000	9.31%	6.00%
10	Corporate Finance Advisors	Per relevant approved person	0	0	75	£41,850	£46,350	0.33%	0.39%
11	NOT APPLICABLE IN 2004/05		0	0	0	£0	£3,225	0.00%	0.03%
12	NOT APPLICABLE IN 2004/05								
13	Cash Plan Health Providers	Per £1000 of relevant annual gross premium income	0	0	50	£900	£1,150	0.01%	0.01%
14	Credit Unions	Per £ gross assets	0	0	50	£28,750	£34,400	0.23%	0.29%
15	Friendly Societies whose tax exempt business represents 95% or more of their total relevant business	Per £ relevant annual gross premium income	0	0	50	£9,600	£9,350	0.08%	0.08%
					Total - all blocks =	£12,500,000	£11,927,550	100.00%	100.00%

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
Banking & Loans	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 – Not applicable	Not applicable
Insurance	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	Annual gross premium income
	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 annual gross premium income.
Investments	5 – Fund managers (including those holding client money/assets and not holding client money/assets)	Relevant funds under management	A7 – Fund managers	Funds under Management
			A8 – Not applicable	Not applicable
	6- Operators, Trustees and Depositories of collective investment schemes	Relevant annual gross income (Flat fee for 2002/03)	A9 – Operators, Trustees and investment schemes	Annual gross income

FOS Division	FOS Industry Block + Business Activity	Tariff Base for FOS	FSA Fee Block + Activity Grouping	Tariff Base(s) for FSA
	7 – Dealers as Principal	Number of relevant traders	A10 – Firms dealing as principal in investments	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 only firms and 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) – flat fee for 2002/03	A14 – Corporate Finance Advisers	Number of approved persons (Controlled function 23)
	11 Not applicable	Not applicable	Not applicable	Not applicable
	12 Not applicable	Not applicable	A15 – Not applicable	Not applicable
Insurance	13 – Cash plan health providers	Flat fee	Not applicable	Not applicable
Banking & Loans	14 – Credit Unions	Gross assets – flat fee for 2002/03	Not applicable	Not applicable
Investments	15 – Friendly societies whose tax exempt business represents 95% or more of their total relevant business.	Relevant annual gross premium income – flat fee for 2002/03	Not applicable	Not applicable

Proposed Amendments to DISP

In this Annex underlining indicates new text and striking through indicates deleted text.

...

5.2.1 G The purpose of this chapter is to set out the requirements on *firms* to pay annual fees (through a *general levy* and *supplementary levy* invoiced and collected by the FSA on behalf of FOS Ltd) and case fees ~~to~~ (invoiced and collected directly by FOS Ltd) in order to fund the operation of the *Financial Ombudsman Service*.

...

5.4.6 R **A firm must pay to ~~FOS Ltd~~ the FSA a general levy towards the cost of operating the compulsory jurisdiction of the Financial Ombudsman Service.**

5.4.7 G Under the *standard terms*, *VJ Participants* will be required to pay to FOS Ltd an amount calculated on a similar basis towards the costs of operating the *Voluntary Jurisdiction* of the *Financial Ombudsman Service*. FOS Ltd will be responsible for invoicing and collecting this amount.

...

5.7.5 R **A firm must pay to ~~FOS Ltd~~ the FSA a supplementary levy towards the costs of establishing the Financial Ombudsman Service.**

...

5.8.1 R **A firm must pay annually to the FSA the general levy and any supplementary levy to which it is subject ~~to FOS Ltd either:~~**

(1) ~~annually~~, on or before the later of 1 April and 30 calendar days after the date when the invoice is issued by ~~FOS Ltd~~; or the FSA.

(2) ~~provided the amount payable exceeds the minimum levy, quarterly, at the beginning of each quarter, by direct debit agreement.~~

...

5.8.5 G ~~FOS Ltd~~ The FSA will issue invoices for the *general levy*; and any supplementary levy; FOS Ltd will issue invoices for standard case fees and special case fees. Each invoice will be payable within 30 calendar days. Invoices will be sent to the *firm's* Compliance Officer at the principal place of business in the *United Kingdom* last notified to the *FSA*. A firm which is liable to pay under DISP 5.8.1 R may do so by direct debit agreement.

...

5.8.7 G If a *firm* (or *unauthorised person*) subject to the *Compulsory Jurisdiction* fails to make payment under this chapter of standard or special case fees, after the expiry of the 30 *day* period, *FOS Ltd* may:

(1) Take steps to recover any money owed (including interest);

(2) Refer the matter to the *FSA* so that the *FSA* may take whatever disciplinary action it considers necessary.

5.8.7A G If a *firm* (or *unauthorised person*) fails to make payment under this chapter of the *general levy* and any *supplementary levy* to which it is subject, after the expiry of the 30 *day* period, the *FSA* may take whatever action it considers appropriate including steps to recover any money owed (with interest) and commencing disciplinary proceedings.

ISBN: 1-84518-064-X

The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099
Website: <http://www.fsa.gov.uk>

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