

<b>Title:</b> Bringing all funeral plan providers within the remit of the FCA <b>SI No:</b> 2021/90 <b>Other departments or agencies:</b> Financial Conduct Authority (FCA) <b>Contact for enquiries:</b> Josh Osborne 02072705512	<b>De minimis assessment</b>
	<b>Date:</b> 17/11/2020
	<b>Type of regulation:</b> Domestic
	<b>Date measure comes into force:</b>
<b>Cost of Preferred (or more likely) Option</b> <b>£3,633,281</b>	<b>Net cost to business per year</b> (EANDCB in 2020 prices) <b>£726,656</b>

**1. What is the problem under consideration? Why is government intervention necessary?** (Maximum 5 lines)

In recent years, concerns have been raised about the risk of consumer detriment in the pre-paid funeral plan market. Funeral plan providers are currently excluded from FCA regulation if they offer plans that are insurance- or trust-backed. A voluntary regulatory system exists but does not cover all providers and is insufficient for ensuring the fair treatment of vulnerable consumers. The government, with broad industry support, considers compulsory regulation necessary.

**2. What are the policy objectives and the intended effects?** (Maximum 5 lines)

The government's objectives are that: (1) all pre-paid funeral plan providers are subject to robust and enforceable conduct standards; (2) there is enhanced oversight of providers' prudential soundness; and (3) consumers have access to appropriate dispute resolution mechanisms. FCA regulation will effectively and proportionately meet these objectives and tackle the consumer detriment confirmed in the government's 2018 Call for Evidence.

**3. What policy options have been considered, including any alternatives to regulation? Please justify preferred option** (Maximum 5 lines)

The government considered three options: (1) 'do nothing'; (2) establish a new statutory regulator, and; (3) bring all funeral plan firms within the FCA's regulatory remit. Option 3 is preferred because the FCA has a broad suite of supervision and enforcement powers that will effectively address the consumer detriment identified, capture both the sale and administration of funeral plan contracts and meet the government's objectives for the future regulatory framework.

**4. Please justify why the net impacts (i.e. net costs or benefits) to business will be less than £5 million a year.**

The government expects that around 1,400 businesses will be impacted by new costs. Around 50 of these are funeral plan providers that will be brought within the FCA's regulatory remit, and the remaining firms are funeral directors or other intermediaries which sell funeral plans, which are expected to become Appointed Representatives. An appointed representative is not required to be fully authorised by the FCA or pay application fees, provided that a funeral plan provider agrees to be accountable for them complying with FCA rules for their activities.

The one-off costs to the sector are expected to be:

- The costs to funeral plan providers of applying for FCA authorisation (~£0.3m)
- Compliance officer costs for funeral plan providers (~£0.1m)
- Administrative costs for Appointed Representatives (~£2.5m)

The annual ongoing costs to the sector are expected to be:

- The costs of overseeing an Appointed Representative (~£0.1m)
- Fees for Appointed Representatives (~£0.2m)

Summing the figures above indicates that the total cost for the first year will be ~**£3.2m** (0.3 + 0.1 + 2.5 + 0.1 + 0.2 = £3.2m), and for following years the annual ongoing cost will be ~**£0.3m** (0.1 + 0.2 = £0.3m).

Further costs to funeral plans providers will arise once the FCA designs and implements its regulatory rules. This may include the cost of transferring regulation of the sector to the FCA and the ongoing levy for FCA authorised firms. The extent and precise impact of these rules will be assessed through the FCA's independent consultation process, which includes an FCA cost-benefit analysis and are therefore not included here.

**5. Please confirm whether your measure could be subject to call-in by BRE under the following criteria. If yes, please provide a justification of why a full impact assessment is not appropriate:**

**a) Significant distributional impacts (such as significant transfers between different businesses or sectors)**

No

**b) Disproportionate burdens on small businesses**

No, however some industry participants have been concerned about the impact on smaller intermediaries, such as funeral directors which sell funeral plans. We have taken a proportionate approach. Given their prevalence within the market, it is essential that regulation applies to intermediaries at the point of sale. The regime therefore allows them to become 'appointed representatives', whereby they will not be required to be fully authorised by the FCA or pay application fees, provided that a funeral plan provider agrees to be accountable for them complying with FCA rules for their activities. This ensures that FCA rules apply to all sales of funeral plans, without introducing overly burdensome costs and is a model used in other areas of FCA regulation to ensure a proportionate approach.

**c) Significant gross effects despite small net impacts**

No

**d) Significant wider social, environmental, financial or economic impacts**

No

**e) Significant novel or contentious elements**

No

Sign-off for de minimis assessment: SCS

***I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

**SCS of Personal Finances and Funds**

Signed: ***Anna Harvey***

Date: 11/11/2020

**SCS of Better Regulation Unit**

Signed: ***Linda Timson***

Date: 17/11/2020

Sign-off for de minimis assessment: Minister

***I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed: ***John Glen MP***

Date: 17/11/2020

**Further information sheet**

Please provide additional evidence in subsequent sheets, as required.