

Dame Meg Hillier MP
Chair
Treasury Select Committee
House of Commons
London
SW1A 0AA

11 March 2025

Dear Dame Meg,

Safe Hands

The Complaints Commissioner has today published her final report into our handling of the funeral provider Safe Hands. Her report raises important issues about how we prioritise our resources and whether these should be focused on activities for which Parliament has either not given us the powers, or given us limited powers to regulate.

I would like to explain our position and highlight the read across to current issues and the broader debate about risk and consumer protection in financial regulation.

The Commissioner has suggested that we didn't identify significant risks in relation to Safe Hands. We don't agree with this and have issued a public response setting out why.¹ We note there is an ongoing Serious Fraud Office investigation, and we are unable to comment on certain details so as not to prejudice that ongoing investigation.

We have also written to Safe Hands customers today to outline our response to the Commissioner's report and tell them we will not be compensating them beyond what has already been offered for complaint handling delays.

Our approach to Safe Hands

Following discussions with the Treasury starting in 2017, Parliament changed the law in January 2021 to bring funeral plan providers within the FCA's

¹ <https://www.fca.org.uk/news/statements/fca-responds-final-report-safe-hands-complaints>

regulatory remit. This meant Safe Hands had to be authorised by us to carry on business after July 2022.

From January 2021, we focussed our resources on the complex process of bringing a new sector within our regulatory remit. Firms were able to apply for regulatory approval from 1 September 2021. Safe Hands applied that October. We decided the firm did not meet our high standards and on 8 February 2022 we informed them that we were minded to refuse their application. Subsequently Safe Hands entered administration in March 2022. We worked with Dignity and Co-op to help customers find new plans at a discounted cost.

Should the FCA have acted earlier?

In April 2021, we had received a single piece of anonymous intelligence that Safe Hands might be carrying out regulated activity but without our necessary permission to do so. This information had already been shared with the Funeral Planning Authority, a self-regulatory body of which Safe Hands was a member.

Knowing at the point we received this information that we would soon be approving funeral providers to do business, we logged this intelligence to consider when assessing whether Safe Hands was fit to be regulated by us.

That year, we received over 34,000 pieces of intelligence about firms or individuals potentially carrying out unauthorised business. There is no way we can immediately act on all.

The Commissioner says that we could have redirected resources to establish whether Safe Hands was in breach of the exemption from regulation. However, this would have taken time, probably many months.

We make difficult choices every week on how to prioritise resources to protect consumers from suspected wrongdoing. In 2021, we focused our efforts on the complex process of bringing a whole new sector – funeral providers – within our remit.

Whenever we act, we need to consider how best to seek information so as to avoid a worse outcome, for example if an unregulated firm is tipped off, it may be harder to protect assets.

Finally, the Commissioner has suggested that our approach was inconsistent with that set out by Government in a call for evidence in 2018.² This stated that when the FCA received information about an unauthorised funeral plan provider, it will make enquiries into the matter. In 2018, we had not been granted the additional powers to regulate funeral plan providers. In 2021, when the intelligence was received, we were preparing to assess whether each funeral provider met the higher standards to be regulated by us, with the option to ban those who didn't.

We believe the steps we took were reasonable and proportionate based on the information we received. As the Commissioner acknowledges, there is no evidence that alternative action from us would have led to different outcomes for Safe Hands customers.

Risk management and resource prioritisation

This matter raises important questions about whether we should focus activity on firms where we have been given no powers, or limited powers from Parliament to regulate, especially when we are preparing to bring such sectors within our remit. We now receive 20,000 allegations of unauthorised business a year. We must take decisions about where to prioritise resources and prevent the most serious harm within the existing framework in place.

Our most effective lever for tackling and preventing harm in areas which are being brought into our remit is when we decide to approve relevant firms. We have limited ability to tackle problems prior to this point.

At our evidence session in December, we surfaced the challenges regarding new products including crypto currencies and buy now pay later (BNPL). There have been previous difficulties in relation to peer-to-peer lending. We set out our aim of getting the infrastructure in place to use data and technology more effectively going forward to bring new products and services within our remit.³

With respect to BNPL for example, we have taken limited action where we can and been clear that allegations about such firms will be addressed if we are granted powers to regulate the sector and to determine which firms meet our high standards. We are not devoting resources to potential harm in this area today.

² <https://www.gov.uk/government/consultations/pre-paid-funeral-plans/pre-paid-funeral-plans-call-for-evidence>

³ Q134 <https://committees.parliament.uk/oralevidence/15109/html/>

We are acutely aware of the important choices such cases raise and value our dialogue with the Committee about these. We are happy to address these issues at our upcoming accountability hearing.

Finally, I wanted to inform you that last week we won a significant judicial review brought by the All-Party Parliamentary Group (APPG) on Fair Banking in the High Court. It found we had acted reasonably in not seeking further redress on interest rate hedging products for sophisticated customers and that the Financial Services Authority (FSA) had acted rationally in the circumstances of a scheme in 2012/13 that secured £2.2bn for thousands of small businesses. The judge particularly noted the care with which the FCA considered these issues in 2021 after receiving the Swift Review and concluded that there was scope for reasonable disagreement on the findings of that review and the FCA acted rationally in departing from it.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Braviner Roman', written over a light blue horizontal line.

Stephen Braviner Roman
General Counsel and Chief Risk Officer