FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

Rt Hon Mel Stride MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

23 March 2021

Our Ref: SA210301B

Dear Mel,

<u>The FCA's approach to handling complaints about London Capital & Finance plc</u>

In our session with the Committee on 1 March, Rushanara Ali MP asked me several questions about the complaints that the FCA has received in relation to London Capital & Finance plc (LCF). In my response I said I would write to the Committee setting out our general approach and the likely time frame. I thought it would also be helpful to include some further detail expanding my answers in the session.

Complaints received by the FCA

As of 19 March 2021, the FCA had received 1,062 complaints in relation to the FCA's handling of LCF. We received 57 new complaints following the publication of Dame Elizabeth Gloster's Report (the Report).

Following receipt of these complaints and, in accordance with the Regulators'[1] Complaints Scheme, we informed these complainants of our decision to defer our investigation of their complaint until the Independent Investigation into the FCA's regulation of LCF was concluded. We have kept complainants regularly updated during the period of deferral and since Dame Gloster's report was published in December 2020.

Each individual complaint received by the FCA was reviewed and the specific complaint allegations raised were recorded and confirmed in writing with each complainant.

Our approach to complaints received

Following the publication of the Report on 17 December 2020 and having considered the findings, we are now taking forward the assessment of the majority of complaints which had been deferred. A small number of complaint allegations are connected to the continuing investigations by the FCA and the Serious Fraud Office (SFO) into LCF's collapse. These will continue to be deferred in accordance with the Complaints Scheme until those investigations are concluded or earlier if the investigations would not be significantly harmed.

Each complaint will be reviewed individually and on its own merits. Where we conclude that a complaint is well founded, we will decide what remedy is appropriate taking into account the factors set out in the Complaints Scheme[2].

---

[1] The Financial Conduct Authority (FCA), Bank of England (BoE) and Prudential Regulation Authority (PRA)
[2] Paragraph 7.14 of the Complaints Scheme (https://www.fca.org.uk/publication/corporate/complaints-scheme.pdf)

Our “Approach to Remedies” statement[3] explains that we aim to apply a consistent and fair approach to ensure remedies are appropriate and proportionate, based on the individual features of the complaint and what went wrong. We will generally take one or more of the following steps:

i. make an apology;

ii. take an action to address the complaint such as providing further explanation, taking steps to reduce a delay or correcting an error;

iii. make recommendations such as making changes to our practices, policies or procedures to improve these or help avoid a recurrence of the same problem in the future;

iv. make a compensatory payment on an ex gratia basis.

While the Complaints Scheme includes a provision for ex gratia payments, we do not award compensation or damages in the same way a court would do. This approach reflects the longstanding practice of the FCA and the FSA before it, having regard to the intention of Parliament in conferring statutory immunity on the regulators.

For the FCA to consider it appropriate to offer an ex gratia compensatory payment in respect of financial loss, complainants would normally need to evidence that they have suffered a quantifiable financial loss caused solely or primarily by the actions or inaction of the FCA. Any such payment made would not, typically, cover the full loss.

Coordination and timings

The FCA is in discussions with the Financial Services Compensation Scheme (FSCS), the administrators of LCF and the Treasury concerning compensation payments that have been or are being processed, or which may be made under the Treasury’s proposed scheme for some LCF bondholders. We are aiming to coordinate these discussions as much as possible to achieve consistent outcomes and minimise the impact on bondholders. These discussions continue and we are aiming to conclude them as soon as possible.

We have a ringfenced team to work through LCF complaints and we anticipate based on our current projections that this work will be completed by the end of June. I expect to able to give the Committee a clearer idea of the timeline for dealing with complaints within a matter of weeks and will update you as soon as I am in a position to do so.

Yours sincerely

Charles Randell
Chair, Financial Conduct Authority

[3] https://www.fca.org.uk/news/statements/complaints-scheme-our-approach-remedies