

Association of British Insurers (ABI) – Supplementary written evidence (SCG0069)

Thank you for inviting me to give evidence to the Committee's inquiry into the Financial Conduct Authority's (FCA) and the Prudential Regulation Authority's (PRA) Secondary Competitiveness and Growth Objectives (SCGO).

The ABI, and our members, welcome the inquiry, and we look forward to seeing your work progress and the Committee's recommendations.

Please see below a response to your questions following the evidence session last month on our response to the FCA's Handbook Review and calculations on the cost of compliance.

1. In response to the Chair's request for specific regulatory burdens that could be removed to reduce the cost of compliance for firms (pg.2-3 Q.270), Ms Gurga noted that the ABI's response to the FCA's handbook review contained these specifics and undertook to provide this to the Committee (pg.3 Q.270). The Committee would be grateful if you would summarise the key regulatory burdens and the associated recommendations from the ABI's submission.

We welcome the FCA's Handbook Review. However, we believe that, if the regulator is to truly encourage competition and growth, that a broader review beyond the Handbook is needed. This review would need to consider the FCA's wider regulatory culture, including its approach to rule-setting, supervision, and enforcement.

Changes to the FCA's requirements are not without cost to firms, as depending on what is proposed, there may be changes to systems and processes, with implications of skills and training. We therefore urge against cosmetic streamlining that doesn't reduce costs nor improve the outcomes for consumers. It is important that the timing and sequencing of the Handbook/Requirements Review is also considered in the context of the sizeable programme of regulatory and policy activity that is already in train – firms are engaging with a significant number of initiatives and consultations already underway, with more work in the pipeline (see the [Regulatory Initiatives Grid](#)).

In our response to the Handbook Review, we have specifically called for the issues below to be addressed:

- Reviewing the structure of the FCA Handbook and the range of non-Handbook guidance including the accumulated 'undergrowth' of Dear CEO letters, thematic reviews, good and poor practice guidance, etc. which may not be meeting the FCA's desired aims and are tying up more resources and adding to firms' costs.

- Thoroughly reviewing the Product Governance/Fair Value (PROD) section of the Handbook given its overlaps with the Consumer Duty.
- Reviewing FCA Handbook Chapters including Systems and Controls (SYSC), the Life and General Insurance rules (COBS and ICOBS), Consumer Credit (CONC), the FCA's Perimeter Guidance (PERG) and its guidance on firms' responsibilities (the RPPD). However, we recognise that each could be a significant undertaking and so decisions to make changes need to consider our comments above regarding timing and sequencing of activity.
- The appropriateness of mandated regulatory consumer disclosures that do not help consumer understanding across both life and general insurance. As part of this, we welcome the consultation that was launched at the end of last year on Consumer Composite Investments and which proposes replacing the PRIIPs Key Information Document and we are looking at the detail.
- Exploring whether FCA Handbook requirements support modernisation and digital media with the requirement to provide information using a 'durable medium' to be reviewed, particularly for digital- first customer journeys.
- A commitment from the FCA to develop a new 'front end'/navigational tool to help firms as well as the FCA's own staff negotiate what will remain a complex and changing regulatory framework.

2. Ms Gurga noted that the ABI had produced approximate calculations of its members' cumulative cost of compliance, which she undertook to share with the Committee (pg.3 Q.270). Please provide these figures and a brief explanation of the methodology used to reach this estimate.

The attached document provides an illustrative cost of compliance for firms in the UK, drawing from a sample of cost benefit analyses produced by the regulators, as well as the direct costs (through fees and levies) that the regulatory bodies apply to the FS sector.

We look forward to continuing to work you and the Committee and supporting its work in implementing its recommendations from its inquiry. Please do not hesitate to get in touch if we can be of further assistance.

3 February 2025

Illustrative Costs of Regulatory Compliance

Category	Description	Source	2023	2022	2021
Financial Crime	Covers AML, KYC, and fraud prevention measures	Oxford Economics and LexisNexis Risk Solutions, True Cost of Compliance (2024)	£38.3bn	£34.2bn	£28.7bn
Sustainability Disclosure Requirements	Estimated one-off direct costs	FCA – PS23/16 Sustainability Disclosure Requirements Policy Statement	£204.8m		
	Estimated annual direct costs		£34.2m		
Consumer Duty	Estimated one-off direct costs	FCA – feedback to CP21/13	£688.6m - £2.4bn		
	Estimated annual direct costs		£74m - £176.2m		
Operational Resilience	Estimated one-off direct costs	CP19/32: Building operational resilience: impact tolerances for important business services & feedback to DP 18/04	£492.3m		
	Estimated annual direct costs		£231.3m		
	Estimated one-off costs per Critical Third Party (CTP) ¹	CP26/23 – Operational resilience: Critical third parties to the UK financial sector	£660k – 930k		
	Estimated annual ongoing compliance costs per CTP		£500k		
IFRS 17	Estimated implementation costs for insurance companies adopting IFRS 17	UK Endorsement Board (UKEB) IFRS 17 implementation report	£1.18bn		

¹ HMT impact assessment assumes a total population of 20 CTPs

Regulatory Fees and Levies

Category	Description	Source	2023	2022	2021
FCA	Total group income, comprising regulatory fees, exceptional project recoveries, special project fees and all other income	FCA Annual Report	£758.3m	£699m	£675.1m
PRA	Fee income	Bank of England Annual Report and Accounts	£313m	£281m	£252m
The Pensions Regulator ²	Expenditure (excluding capital expenditure)	TPR Annual Report and Accounts	£108.5m	£100.4m	£96.8m
PSR	Fee income	PSR Annual Report and Accounts	£26.7m	£18m	£17m
FOS	Levy income	FOS Annual Report and Accounts	£110m	£107m	£96m
The Pensions Ombudsman ³	Net expenditure	TPO Annual Report and Accounts	£10.6m	£8.2m	£8.6m
FSCS	Levy income	FSCS Annual Report and Accounts	£473m	£434m	£643m

² Funding is from two main sources: a grant-in-aid from the DWP which is recoverable from a levy on pension schemes and covers activities relating to the Pensions Act 2004 and the Pensions Act 2008; and a separate grant-in-aid from general taxation which funds Auto Enrolment.

³ TPO is funded by DWP by a grant-in-aid that is recovered from the general levy on pension schemes administered by The Pensions Regulator.