



## *The Money Charity response to the MOJ Claims Management Regulation consultation*

- The Money Charity is the UK's leading financial capability charity.
- We believe that being on top of your money means you are more in control of your life, your finances and your debts, and that this, reduces stress and hardship, increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.
- Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.
- We believe financially capable people are on top of and make the most of their money in five key areas:
  - Planning (including budgeting)
  - Saving
  - Debt
  - Financial services products
  - Everyday money (including wages, cash, bank accounts)

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1. The Money Charity welcomes this timely consultation on claims management regulation. With the likely 24 month deadline on PPI claims due to be announced, we will enter a period of intense CMC activity. The level of public trust in CMCs will have a significant impact on public willingness to engage in the issue, as well as the ability of the FCA's campaign to cut through.

#### **Question 1+2: PPI / PBA claims**

2. The Money Charity agrees with the idea of capping CMC fees, both as a proportion of the total award and an absolute amount. The certainty that the consumer will get 85-90% of the compensation they are awarded will increase confidence in the claims process. Without this trust, the publicity around the PPI deadline will be dismissed by many consumers as simply part of suspect noise that CMCs have been making over the last few years.
3. We do not have the information to choose a level of cap, but believe that The MOJ should make its decision based on the CMC market it wishes to see – if it wishes to see a market at all.
4. The MOJ argues strongly in the consultation document that '*in some instances, [CMCs] offer little value to consumers... [and engage in] speculative claims and nuisance calls.*' If this amounts to a situation in which '*it can be hard to identify the real value that a CMC brings for many of these straight-forward matters*', then we question why the conclusion is not simply to ban CMCs from making PPI and PBA claims.
5. The document later acknowledges that '*many customers are happy for a CMC to pursue a financial claim on their behalf, and in some circumstances they can add value for the consumer.*'
6. The MOJ has proposed commission caps at the lowest end of what CMCs currently charge, and less than half the average amount charged in the current environment. It is unclear from the consultation whether the intention of these caps is to prevent CMCs from operating in this market altogether, or to ensure they continue to offer services to consumers, but with a greater degree of trust and transparency.
7. If CMCs do '*in some circumstances add value for the consumer*', the cap should be set at a level that allows a market to operate – but also produced public trust.
8. We agree that CMCs should neither be allowed to charge up-front fees or charge for referrals. As argued in the consultation document, these practices

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both cause consumer detriment and undermine public trust, deterring legitimate claims from being made.

### **Q3 – Other Financial Claims**

9. Setting a higher cap, both in proportional and absolute terms, for more complex, non-bulk claims is justified. In these cases, there are not always the relatively simple and accessible means for consumers to make claims themselves and the value added by CMMs is much clearer.
10. The clear utility of CMCs in for these claims makes setting the appropriate rate and level of cap more important. It must be high enough to leave an adequate incentive for private businesses to take on claims and low enough to maintain public trust.
11. Evidence provided by organisations more closely involved in claims management than The Money Charity should be used in balancing these competing aims. In addition, we would expect the MOJ to monitor the impact of the fee cap on the market and be open to changing the caps if there is evidence of damaging the market.

### **Q4 – Ban on up-front fees**

12. The Money Charity supports the proposed ban on up-front fees. The evidence laid out in the consultation document paints a worrying picture of an industry with elements resistant to self-regulation or adopting industry wide best practice. Up-front and referral fees incentivise and facilitate some of the worst practice such as aggressive marketing and cold calling. It is difficult to imagine a good case for these practices and if banning them can bring an end to the some of the most off-putting elements of the industry, the benefits in consumer trust could be considerable.

### **Impact assessment**

13. The Money Charity does not work in claims management, so cannot provide detailed responses to the impact assessment. The important consideration for us is that regulations and fee caps are made that limit bad practice, but that allow reputable CMCs who provide a social utility to operate and thrive.

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