

12 December 2012

Dear Sirs

**CP12/24 – Regulatory Reform: PRA and FCA regimes relating to aspects of authorisation and supervision**

This is the Financial Services Consumer Panel's response to CP12/24. This response focuses on those chapters which the Panel is best placed to provide comments – chapters 3 and 11.

The Panel broadly supports the proposals set out in chapters 3 and 11. In particular, we strongly welcome the intention to prevent firms from using the regulators' logo as we are concerned this could mislead or confuse consumers. We also feel that, when either regulator is considering a potential transfer of insurance business, the overriding consideration should be to ensure the interests of all consumers are protected and no policyholders are disadvantaged. We feel it is important for both regulators to be empowered to delay, or postpone, a transfer where they feel this principle is not met.

**Chapter 3 – Changes to regulatory disclosure and use of the regulators' logos (GEN 4/5)**

***Q3: Do you have any comments on any of the proposed updated status disclosure wording?***

The Panel recognises changes to the structure of UK financial services regulation require firms to update their documentation so it refers to the FCA and PRA instead of the FSA. Having reviewed the proposed disclosures, the Panel feels the revised wording is appropriate.

The Panel also supports the proposal to require branches of non-EEA firms to disclose details of the home regulator where they are subject to limited regulation by the PRA. Again, having reviewed the proposed wording, we feel this is appropriate.

***Q4: Do you have any comments on our proposal to remove the option for firms to use either the logo of the FCA or PRA?***

The Panel has been concerned that consumers could be misled by firms using the FSA's logo on their literature and marketing materials. Indeed, the Panel identified one such example earlier this year where the FSA's logo was displayed prominently on a financial services firm's website and potentially misled consumers to believe its products had received regulatory approval. For this reason, the Panel firmly

supports the intention to prevent any firm using either the PRA or FCA's logo on any materials and urges the new regulators to ensure no firm breaches this rule.

***Q5: Do you agree with our proposal for a six month transitional period from legal cutover?***

The Panel feels it is important the new status disclosure requirements and revocation of the FSA logo licences are introduced promptly following legal cutover. This is important to prevent consumer confusion arising from firms inaccurately disclosing their regulatory status. It will also help raise consumer awareness of the new regulators, which will be particularly important for the FCA.

However, the Panel recognises firms will incur costs to update their business stationary, costs which will ultimately be borne by consumers. We therefore feel a six month transitional period is both appropriate and proportionate.

**Chapter 11 – Changes to the Supervision Manual (SUP 19): Transfers of business**

***Q19: Do you have any comments on our proposed approach to updating SUP 18?***

The Panel recognises that the PRA and FCA have different objectives and will review any proposed transfer of insurance business in line with these statutory obligations. However, we believe the overriding principle for both regulators, when considering a potential transfer, should be to protect the interest of consumers and ensure no policyholder is disadvantaged.

We fully appreciate the motivation for charging the PRA with lead responsibility for considering the appropriateness of a transfer. The protection of an insurer's assets and financial viability is fundamentally important to protect the interests of policyholders. However, it is equally important that the wider interests of consumers are fully considered throughout the processes. This includes maintaining consumers' contractual rights and ensuring policyholders are fully informed about the implications of the transfer. The FCA has an important role to play in this regard; we are therefore pleased the proposed changes to SUP 18 will empower it to delay, or even block, a transfer where it feels policyholders have not been given sufficient information ahead of the transfer.

I trust that you find these comments helpful. The Panel would be happy to discuss any of these further should you so wish.

Yours faithfully,

Adam Phillips  
Panel Chair