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Lord McKenzie
House of Lords
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18 December 2017

Dear Lord McKenzie,

I'd like to extend my thanks once again for your participation in the Third Reading debate on the Financial Guidance and Claims Bill. As promised, I am writing to provide answers to your questions regarding the interim fee cap for PPI claims management services and the application of FCA claims management regulation to Scotland.

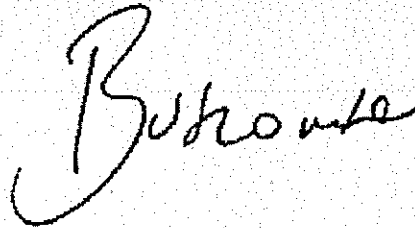
Firstly, I can confirm that the interim fee cap will not be retrospective in application. It will apply to charges imposed under agreements entered into during the 'interim period' (not the date of claim or when compensation is paid). The 'interim period' is set out in the Bill as the period from two months after the Bill receives Royal Assent until the FCA implements its own cap in relation to financial services claims. This approach has been taken as it is important to ensure that the law operates in a clear and certain manner. Both consumers and businesses are entitled to know the state of the law at the time they undertake a transaction or other course of action. They are also entitled to be given a reasonable period of time to adapt to a change in the law and re-organise their affairs in response to it.

Secondly, in response to your question on the territorial application of the interim fee cap, I can confirm that it will only apply to firms offering PPI claims management services in England and Wales. The interim fee cap will be implemented by the relevant regulators. CMCs are currently not regulated in Scotland, unless they are connected to a legal services firm. This means there is no relevant regulator to implement a fee cap in Scotland until regulation has been transferred to the FCA.

Finally, I can confirm that Schedule 4 does not apply to Scotland. This is because it deals with transfer schemes, which includes the transfer of property and staff

from the current regulator, which only regulates in England and Wales, to the FCA. Therefore, it would be unnecessary to extend the application of Schedule 4 to Scotland and there will be no adverse effects regarding future CMC regulation in Scotland as a result of this approach.

I hope this helps to clarify your questions raised in relation to the extension of CMC regulation to Scotland and the interim fee cap. I will place a copy of this letter in the House Library.

A handwritten signature in cursive script, appearing to read 'Buscombe', written in dark ink on a light background.

**BARONESS BUSCOMBE
MINISTER FOR WORK AND PENSIONS (LORDS)**