

News release

Views wanted on rules to restrict excessive fee charging in financial mis-selling claims

31 March 2023

We are consulting on new rules that will restrict excessive fee charging when firms make compensation claims on behalf of their clients for mis-sold financial products.

We have an obligation under the Financial Guidance and Claims Act 2018 to make rules that prevent excessive fees being charged for claims management activities connected to financial products or services.

A discussion paper [<https://www.sra.org.uk/sra/consultations/discussion-papers/restricting-fees-for-some-claims-management-services/>] in 2021 set out a proposed approach which was to closely align any new rules to those of the Financial Conduct Authority (FCA) which regulates the vast majority of this sector.

Now that the FCA has published its rules we are consulting on the exact wording we should adopt.

Paul Philip, SRA Chief Executive, said: 'This is important for both consumers and the firms we regulate. Fees for claims management work related to financial products or services have to be set at a level that means the cost is affordable for people seeking redress, while ensuring that it is still a viable area of work for firms that provide this service for those who need it. So although the number of law firms involved is small, the impacts for consumers could be significant.

'I would urge firms currently providing claims management services and others who may be thinking about doing so to read the consultation and let us know what they think about our proposals.'

Responses to the consultation paper

[<https://www.sra.org.uk/sra/consultations/consultation-listing/excessive-charges-financial-claims/?s=o>] should be made by Wednesday 21 June, 2023.

As well as the discussion paper we held meetings with consumers, law firms and other stakeholders to examine our proposals, which include a sliding scale of fees that can be charged.

The Financial Guidance and Claims Act itself introduced a cap on charges that could be made of 20 per cent for mis-sold payment protection insurance cases.