PARLIAMENTARY DEBATES

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OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT FINANCIAL SERVICES AND MARKETS ACT 2000 (CLAIMS MANAGEMENT ACTIVITY) ORDER 2018

Monday 19 November 2018

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not later than

Friday 23 November 2018

The Committee consisted of the following Members:

Chair: Mr Adrian Bailey

† Afriyie, Adam *(Windsor)* (Con)
† Bacon, Mr Richard *(South Norfolk)* (Con)
† Clark, Colin *(Gordon)* (Con)
† Cryer, John *(Leyton and Wanstead)* (Lab)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Duguid, David *(Banff and Buchan)* (Con)
† Eagle, Maria *(Garston and Halewood)* (Lab)
Fitzpatrick, Jim *(Poplar and Limehouse)* (Lab)
† Flint, Caroline *(Don Valley)* (Lab)
† Glen, John *(Economic Secretary to the Treasury)*
† Gray, Neil *(Airdrie and Shotts)* (SNP)
† Heald, Sir Oliver *(North East Hertfordshire)* (Con)
† Johnson, Gareth *(Dartford)* (Con)
† Keegan, Gillian *(Chichester)* (Con)
† Morris, Anne Marie *(Newton Abbot)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Walker, Thelma *(Colne Valley)* (Lab)

Anwen Rees, Kenneth Fox, *Committee Clerks*

† attended the Committee

Second Delegated Legislation Committee

Monday 19 November 2018

[Mr Adrian Bailey *in the Chair*]

Draft Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018

4.30 pm

The Economic Secretary to the Treasury (John Glen): I beg to move,

That the Committee has considered the draft Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018.

May I first say what a pleasure it is to serve under your chairmanship, Mr Bailey? Claims management companies offer advice and other services to consumers making claims for compensation. The Government have been consistently clear that a well-functioning CMC market provides vital support for consumers, who may otherwise be unwilling or unable to bring a claim for compensation themselves, and that CMCs benefit the public interest by acting as a check and balance on business conduct.

Robust regulation is important, as CMCs handle millions of pounds'-worth of consumer claims. However, there is significant evidence of misconduct in the CMC sector. Between 2015 and 2017, 443 warnings were issued to CMCs and 135 licences were cancelled by the regulator. As a result, consumers are distrustful of CMCs—76% reported to the legal ombudsman that they are not confident that CMCs tell their customers the truth.

The majority of stakeholders feel that the current regulator lacks sufficient powers and resources to supervise the market properly. That is why the Government are committed to strengthening claims management regulation. The draft order delivers on that objective by making provisions for the transfer of claims management regulation to the Financial Conduct Authority.

The provisions in the Financial Guidance and Claims Act 2018 lay the framework for strengthening the regulation of CMCs under the FCA. The draft order implements that framework by transferring the existing Compensation Act 2006 regulatory regime to the FCA and the Financial Ombudsman Service, with some changes, including extending claims management regulation across Great Britain for the first time. Consumers in England, Wales and now Scotland will have the same protections with regard to CMCs.

The draft order creates seven different permissions for claims management activity. That will make it possible for the FCA to take into account the different types of work and activities across each sector. Each CMC will require separate permissions, depending on the specific activities it wishes to undertake and sectors it wishes to operate in. Depending on which sectors they operate in, some CMCs may require just one permission while others may require several. That replaces the current regime, with a single permission covering all regulated conduct across any combination of activities and sectors.

We have kept the sectors that were regulated by the Claims Management Regulator—personal injury; financial products and services; employment issues; industrial and criminal injuries; and housing disrepair. We have focused on those sectors with the greatest potential for detriment associated with unregulated CMCs or a high number of spurious claims. The majority of claims management activity is in the financial services sector, which accounted for 74% of CMC turnover in 2017-18. We of course recognise that some sectors that CMCs operate in are not named in the draft order. We will monitor developments closely and consider how the Government can best meet that challenge.

The draft order sets out who is exempt from regulation by the FCA for the claims management activity they carry out. The issue of the exemption of solicitors came up during the passage of the Financial Guidance and Claims Act 2018, when some concern was expressed that unscrupulous CMCs would attempt to circumvent regulation by employing solicitors, who are exempt from regulation by the Claims Management Regulator, to carry out their claims management activity. I can reassure the Committee that solicitors are already strictly regulated by the Solicitors Regulation Authority for their work, which is often very similar to claims management work. The purpose of the exemption in respect of their claims management activity is to ensure that solicitors are not unduly burdened by dual regulation. That exemption applies only to the claims management activity that a legal professional carries out in their ordinary work as a solicitor.

The order includes vital provisions to ensure that the transition of regulation is a smooth and orderly process. A temporary permissions regime will be in place after the transfer on 1 April 2019. That will allow firms that have notified the FCA of their desire to transfer to the new regulatory regime to continue to benefit from authorisation until their full permission application has been determined. That should allow CMCs time to adjust to the new regulatory regime.

We are confident that the provisions of the 2018 Act, implemented by the order, will allow the FCA to introduce a regulatory regime that enhances both consumer protection and professionalism in the sector. The Government are confident that the FCA will be well placed and that it has the relevant resources to regulate the sector effectively. Bringing regulation under the remit of the FCA brings its expertise in conduct regulation. In addition, it will be able to leverage its strong existing relationships with other financial services organisations, such as the Financial Ombudsman Service, which will handle complaints about CMCs, and the Information Commissioner's Office, which enforces the restrictions on cold calling by CMCs.

The Government believe that the new regime defined in the order will bring proportionate and professional regulation to the CMC sector. The Government hold firm to the belief that a well-regulated claims management sector can provide an important service to consumers by assisting them to claim the redress they are due. I hope that colleagues will join me in supporting the draft order, which I commend to the Committee.

4.37 pm

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to serve with you in the Chair, Mr Bailey, and to be sitting across from the Minister once again—it is not the first time I have done so in recent weeks, and I am sure it will not be the last.

As the Minister rightly described, this delegated legislation follows on from the Financial Guidance and Claims Act 2018. Clearly, we are not discussing that Act today—we are focusing on the provisions of the order—but I did note that the Minister mentioned cold calling only right at the end of his remarks. Of course, while we are discussing regulatory arrangements and regulatory responsibility, we need to talk about exactly what the responsibilities could be and not just who will discharge them.

A huge element of debate when the 2018 Act was going through the House was about when a ban on cold calling would be implemented. That surely is the elephant in the room when we are talking about this issue. The Minister referred to the activity of the ICO in relation to cold calling, but in the Public Bill Committee a number of hon. Members stated why they felt that the current regulatory regime was not fit for purpose in that regard. It would be very helpful to me, and indeed to other members of this Committee, if the Minister could please indicate exactly what his Department has been doing to move us towards a cold calling ban. We have discussed many times appalling cases in which vulnerable people had been targeted by CMCs, often through cold calls, so I hope that the Minister will return to that issue in a moment. *[Interruption.]* I am grateful to him for saying yes from a sedentary position and being willing to comment on it.

As the Minister explained, the draft order essentially transfers regulatory responsibility for the activities of CMCs to the FCA. That appears to be appropriate. The measure specifies exactly which forms of activity will be regulated. As the Minister rightly said, it will give us a more finely grained regulatory apparatus, which appears to be highly sensible. Of course, we are talking about some companies that in recent years have made enormous profits—super-profits, some might say—in respect of certain types of claims. I am sure that all of us, as Members of Parliament, have been approached by constituents who believe that they have not been treated correctly by claims management companies, and many of the cases involve a lack of communication.

Of course, on the other side of the coin, CMCs have taken aggressive action to push on to people the opportunity to make a claim, whether that is legal or not. In that regard, it is worth reflecting on what has happened in relation to travel claims, especially for holiday sickness, which have increased fivefold since 2013. Arguably, that is having an impact on the price of holidays in some sectors, which affects everybody, whether they have engaged in that activity or not, so it is right that we take action and beef up the regulation.

I have two questions about how exactly the Government envisage the new scheme operating. First, on the transfer of regulatory responsibility, the Minister set out that there will be an interim regime, but I want to focus on how that will be funded. In particular, how will the skilled staff that we surely need to discharge the regime be brought into the FCA? As I understand it, the scheme will be self-funding through the mechanisms detailed in the 2018 Act, so the £60 million or so that it will cost to deliver will be raised from the claims management companies. As the Minister mentioned, however, the new regime starts on 1 April, so how will the FCA obtain the funds in the interim? Are we confident that it will have sufficient funds?

The FCA is being asked to adopt a new responsibility at the very time it might have to deal with a very high regulatory workload in the case of a no-deal Brexit, as we have discussed in this room many times. It would be useful to hear how that activity will be paid for and resourced in the run-up to the start of April. It would also be helpful to hear more from the Minister about how the FCA's activity in this regard will be scrutinised and overseen by his Department and in the House. We are talking about the FCA being able to put caps on fees for CMCs, which I am sure many of us would strongly support, but how will that process of oversight operate?

Secondly, the Minister rightly mentioned that not all actors delivering claims management will be specifically covered by the FCA's regulatory regime. He mentioned the situation for solicitors, but in that connection we could also have discussed the situation for others in the legal profession, as covered by the Law Society of England and Wales and the Law Society of Scotland—the hon. Member for Airdrie and Shotts may well speak to the regime in Scotland. I would find it helpful to hear from the Minister—perhaps through a letter if he cannot talk about it in Committee—what discussions the Government have had with those actors.

Some of us might say that the responsibilities placed on the shoulders of some of those bodies, for example in relation to money laundering, have not always been discharged to the fullest possible extent. I appreciate that the Government do not want to tread on professional toes, but surely we need to find out about the engagement that is going on, if any, to try to ensure that those bodies discharge their responsibilities appropriately.

4.43 pm

Neil Gray (Airdrie and Shotts) (SNP): It is a pleasure to serve under your chairmanship, Mr Bailey. I was involved in the passage of the Financial Guidance and Claims Act 2018, so I recognise much of what we are discussing. Mostly, the measure is necessary and welcome, not least because the Government's brief highlights that 76% of the public have said that they do not trust claims management companies. Taken with the scandals around the RBS global restructuring group and the mis-selling of payment protection insurance, that highlights the desperate need to beef up the UK Government's failing regulatory framework to ensure that consumers are treated fairly. Hopefully the FCA will do a better job of that than the Ministry of Justice has to date.

I support much of what the hon. Member for Oxford East has said, including her call for appropriate resources to be directed to the FCA, given its ever-growing burden of responsibility. She also spoke about cold calling, on which I would welcome the Minister's response. That is something that my constituents and I are plagued by on a daily basis. I know that the Scottish Government passed a legislative consent motion for the 2018 Act,

[Neil Gray]

but I would appreciate an update on what discussions about this SI have taken place with the Scottish Government, as well as with actors such as the Law Society of Scotland and others that will be directly impacted.

In conclusion, although much of this is to be welcomed and supported, the five-year wait for a monitoring review is too long. We need earlier monitoring to ensure that what has been done has been done correctly. I hope that the Minister will look at coming back to the House on a voluntary basis to report on the progress of the measures in the Act and this SI, to make sure that this is being done appropriately.

4.46 pm

Mr Richard Bacon (South Norfolk) (Con): It is a pleasure to serve under your chairmanship, Mr Bailey. I have two or three questions for the Minister. First, in relation to cold calling and the general consensus that there is a great deal of mistrust of CMCs—even though, as the Minister said, there is a place for the CMC model—can the Minister explain what the current status of a person making a cold call would be? I speak from personal experience, because for some reason they have recently started targeting me. Not having experienced it much before, I must have had six or a dozen calls in the past five months, and for some reason, they always refer to an accident on 24 January or a date in early March. I remember thinking at the time, "Is the person making that call currently committing an offence and, if not, will they be under these regulations?" If they refer to an accident that did not take place, some sort of misleading or fraud is plainly going on. Is a crime being committed, or will a crime be committed, either by the person who makes the telephone call or by the promoters or owners of the business? If not, perhaps the Minister can explain why not.

Secondly, I refer the Minister to the BBC magazine programme "You and Yours", which had an item today—perhaps not coincidentally, because this instrument is before the House today—that included the director general or executive director of the trade body that represents CMCs. They pointed out that many banks were misleading their own customers when they inquired directly whether they had payment protection insurance claims. Those people were told categorically by a series of high street banks that they did not have claims, but discovered subsequently that they did. In one case, a listener had phoned up asking whether he had a claim, knowing full well that he had PPI because he had the piece of paper from 20 years ago, and was told by the bank that he did not. He later got the obligatory apology from the high street bank. My second question is this: to what extent, if at all, does the instrument cover the banks? I assume that they are covered separately by the FCA, but perhaps the Minister could confirm that.

Thirdly, I was interested to hear that solicitors are exempt from the regulations. I was particularly prompted to think about this when the hon. Member for Oxford East mentioned the figure of £16 million, which I understand to be the cost of the scheme. The reason is that some years ago, when the coalminers' compensation scheme was going on, there was a solicitor in Doncaster, in Yorkshire, who was heavily involved in processing claims for people who had been made medically unfit for work or had become ill in one way or another through working in a coalmine. That solicitor was paying himself a salary of £16.7 million a year. I remember that well, because I got the permanent secretary of the Department of Trade and Industry, as it then was, to confirm on the record that the Government's policy in managing the scheme was not to make multimillionaires of solicitors in Doncaster, although that was its effect.

Caroline Flint (Don Valley) (Lab): I feel that I have to intervene. The hon. Gentleman is right; not just in Doncaster but in other coalmining areas solicitors took advantage of the situation. Even though the Government were paying them for their services in handling the claims, they took compensation money from the individuals concerned. Does he agree that it is important that the Government look at every possible scenario where such loopholes can be found? If we do not think about loopholes ahead of the game, I am afraid that some of these characters will find them.

Mr Bacon: That is precisely my concern. In my latter years on the Public Accounts Committee, where I was sent to the salt mines for 16 years, the right hon. Lady—I will call her my right hon. Friend for these purposes—served alongside me. Indeed, we went jointly to Commonwealth workshops overseas.

Caroline Flint: We don't need to go into that.

Mr Bacon: Especially not the Blue Lagoon nightclub. The right hon. Lady has an exceptional grasp of nightclubs overseas that host good live music. I will go no further than that.

Caroline Flint: For the record, will the hon. Gentleman confirm that I left rather early and that he stayed until the early hours of the morning?

The Chair: Order. I could never have believed that a debate on claims management companies could get so interesting. However, I feel that the debate is moving off the core issues. If we could return to them, that would be helpful.

Mr Bacon: I agree, Mr Bailey. I will make one further point, to which the right hon. Lady alluded. We cannot assume that the solicitors who continue to engage in the process and are exempt because, in the words of the Minister, they are regulated separately through the Solicitors Regulation Authority, will all be as high-minded as one would hope they would be as solicitors of the Supreme Court. They might not be. My concern is not that we have dual regulation. Like the Minister, I very much hope that we avoid dual regulation. My concern is that we avoid creating opportunities for regulatory arbitrage.

Sir Oliver Heald (North East Hertfordshire) (Con): For my sins, I think I served in Committee for both the Compensation Act 2006 and the Legal Services Act 2007. The point is that claims management companies were brought under regulation in 2006. Solicitors got a hefty improvement, or increase, in their regulation the following year.

Mr Bacon: I understand my right hon. and learned Friend's point. He speaks with authority as a former Solicitor General. I hope that the Minister can reassure us that any regulation by the Solicitors Regulation Authority or by the Financial Conduct Authority for what is essentially the same activity but carried out by different parties—whether solicitors or others—should mirror and match, so that opportunities for regulatory arbitrage do not emerge.

I endorse the earlier point about a five-year review period, which seems to me to be generous, if not naive. We should keep a close watch on it. With that, I will make no further remarks.

4.53 pm

Maria Eagle (Garston and Halewood) (Lab): It is a pleasure to serve under your chairmanship, Mr Bailey. I, too, think that claims management companies are intensely interesting for various reasons.

I wonder whether the Minister can give some assurances about how he expects the regulation to improve over the next period. I concur, as I am sure we all do, that regulation of these companies ought to be much improved to enforce standards, and to increase consumer protection and consumer confidence. The Minister read out the statistics in his opening remarks. One hears about a lot of industries, but not often ones where 76% of their consumers do not believe a word they say. That is extremely poor.

My constituents' experience of many of these companies is that they set out to rip people off. There is no more careful way of putting it. They are interested in making money by drumming up claims, some of which are dubious in the extreme and some of which should never be brought. In other cases, the consumers who ought to be getting the damages end up with far less than they were led to believe they would get, and most of the money goes to the claims management company.

I concur that better regulation is a good policy aim. Obviously, following the review it has been decided that this is a better way of doing the regulation, but will the Minister set out why he believes the Financial Conduct Authority will be so much better than the legal services ombudsman at dealing with such matters? Can he indicate what he expects to see in terms of compliance and consumer confidence?

I concur with the points made by hon. Members on both sides that a situation such as current one, five years is far too long to leave it before checking whether the intended improvements are working. There is no point in shifting the regulation from one place to another if it is not going to be significantly better and if enforcement is not going to be significantly increased. If the fees that are charged and the permissions that need to be obtained by the companies are not to be used to make a real difference in enforcement, what is the point? It shifts around the arrangements without making much of a difference.

Although there is, I think, agreement across the Committee that the measure is generally good—I was not involved in the legislation, so I did not hear all of the debates—what is it about regulation by the FCA instead of the legal services ombudsman that will be so much better? The industry certainly has conduct issues, including non-compliance with the existing rules, misleading advertising, information asymmetries, large volumes of speculative and unnecessary claims, and phoenixing of unscrupulous companies, which I assume means the resurrection of dodgy companies after they have taken themselves out of the way to avoid their obligations, and they suddenly reappear with a similar name. That is a pretty large charge sheet of what is going wrong in the industry. Why should we think that the move to the FCA under the regime set out in the order will make an enormous difference? Over what period of time does the Minister expect it to do so?

4.57 pm

John Glen: I thank the Committee for the serious questions and the range of issues raised. I will do my best to respond to all the questions. I will start with the hon. Member for Oxford East, who asked about progress on the cold calling plan. The Chancellor announced it in the Budget and laid a statutory instrument two days later banning cold calling in relation to pensions. It will be debated later in the year and hopefully will be in force early in the new year. I texted her counterparts on the Labour Front Bench to make them aware of that.

Anneliese Dodds: I am grateful to the Minister for enlightening us on that. However, we are talking about claims management rather than pensions.

John Glen: I will move on to that in a moment. I also want to touch on the point about the ICO as an enforcer, and why not the FCA. There are two debates here. The hon. Member for Garston and Halewood asked about the FCA's suitability. One issue that has come up—my hon. Friend the Member for South Norfolk mentioned it as well—is the ICO's experience and powers to enforce the restrictions on CMC cold calling. The ICO can levy fines of up to £500,000 for breaches of the Privacy and Electronic Communications (EC Directive) Regulations 2003. It has the international reach to enable enforcement action when companies are operating abroad, and perhaps calling my hon. Friend.

The ICO and the FCA work together to establish whether the claims management company has FCA authorisation to carry out marketing activity. The FCA will be able to consider whether the CMC is in breach of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and will sanction appropriately. It is really about the concentration of the FCA's skills and experience in this domain.

Neil Gray: I thank the Minister for explaining where the Government are trying to move to in terms of CMC cold calling, which was a hot topic of debate during the passage of the Financial Guidance and Claims Act 2018. What he has described does not go as far as banning CMC cold calling, although he has banned it for pensions. Why is he not banning it? That is what we are getting plagued with. The hon. Member for South Norfolk and many others will be in the same position as me.

John Glen: The Government believe that claims management companies fuel speculative claims for redress, that consumers struggle to understand the services that

[John Glen]

they offer, that there is a lack of transparency around how they operate, and that they offer poor value for money.

Mr Bacon: That is an answer to a question, but not the question, "Why aren't they just banned?" I mentioned not the ICO, but the Solicitors Regulation Authority—

John Glen: I will come on to that.

Mr Bacon: Good, because I would still like to hear an answer to whether, in making the phone call, the person, who plainly has my name and number and who refers in the opening sales pitch of the conversation to an accident that did not take place, is committing a crime now, or will be under the new regulations.

John Glen: I will move on sequentially through the points made.

On the question about why the Government are not banning all cold calls, which I think is behind all this, we are determined to tackle CMC cold calling and pensions cold calling, but a balance needs to be struck between ensuring that consumers are adequately protected and providing the right conditions for the legitimate direct marketing industry to operate. I recognise that there is a debate about the extent of the coverage and which sectors should be covered, but we took a view about what should be included at this time so that we could make progress and lay the order. We are actively prepared to consider further sectors that should come under the order.

The hon. Member for Oxford East raised the issue of the interim regime's funding. The FCA is making a one-off levy from April 2019, and it will continue to collect fees from industry. Having recently closed a fees consultation, it will release a policy statement later this year about the funding mechanism for that transition period.

Anneliese Dodds: I asked specifically about the resources available to the FCA for creating that interim regime at a time when it is under enormous pressure in other ways. Is it to be expected to fund all that through its existing budget and receive that levy only after 1 April? Surely that could pose some problems.

John Glen: The FCA has made provision for the funding of the activity, and it will make a policy statement later this year about how it will work after April.

I was asked about the impact of new FCA regulation on the fees, so I will give more detail. To cover the costs of the transfer, the firms will be required to pay a one-off levy spread over two to three years, which will be collected by the FCA. Clarification will be given later about the regime following that.

On the point about solicitors' exemption, which goes to the point about regulatory arbitrage raised by my hon. Friend the Member for South Norfolk, there are strict controls in professional regulation under the SRA. The intention has been to have a tougher regulatory regime for CMCs without burdening solicitors with unnecessary regulation, because we believe that they are robustly regulated. Whether the two are aligned is a legitimate issue that needs ongoing review. We are concerned about the risks. The order is designed to close the potential loophole through a provision that removes the exemption for legal professionals if their claims management activity is not part of their ordinary legal practice. That is what has been happening: they have not been subject to FCA oversight because, in effect, they have been doing something that they could say was under their regulator but that the FCA has nothing to do with.

The FCA and SRA have therefore committed to reviewing their memorandum of understanding where it sets out how they will work together, to ensure that the regulation is effective and avoids precisely the matter that my hon. Friend raised.

In relation to FCA scrutiny, there is a statutory duty on the FCA to report to the Treasury, and that will cover CMC activity. The FCA will do that regularly—on an annual basis. Additionally, there are informal, three-weekly conversations between me and the FCA, and obviously I will be subject to scrutiny in the House. That mechanism is a real one: I am obviously pushing the FCA to get this right and it is keen to get it right.

The hon. Member for Airdrie and Shotts asked about the conversation with the Scottish Government. During the passage of the Bill that became the Financial Guidance and Claims Act, the Scottish Government confirmed that it would be proportionate and relevant to bring Scottish CMCs within regulation. This Government have had further, ongoing discussions with the Scottish Government and the Law Society of Scotland throughout the drafting of this legislation, and we are very happy that they are, obviously, included in it.

My hon. Friend the Member for South Norfolk asked about the current status of someone making a cold call. The 2018 Act prohibits anyone from making an unsolicited marketing call in respect of claims management activity. As I have said, that is enforced by the ICO, which has the power to levy large fines and has international reach. Under this statutory instrument, any advertising of claims management services must have prior authorisation by the FCA. Breaching the regulations and failure to have FCA authorisation will be an offence. There has been greater clarity about telephone numbers having to be published, but the ICO is the place where my hon. Friend could take the calls that he is facing.

Anneliese Dodds: I am grateful to the Minister for being so generous with his time. May I try to clarify something? Surely we are talking about two different forms of authorisation. This may have been in the Minister's mind anyway when he was talking; I am not sure. There is authorisation by the regulator, but also by the person who is being rung by the claims management company. Surely they are two quite different things.

John Glen: Somebody should not be called unless they have given explicit permission to be called, so it is an illegal act if that permission has not been given.

My hon. Friend the Member for South Norfolk asked whether this regulation covers banks. No, they will be covered by their FCA authorisation and supervision, so they are covered but not under these provisions.

Mr Bacon: On the Minister's previous point, when he said that calling would be an offence, he did not say whether it would be a criminal or a civil offence. Could he do so?

John Glen: It would be a criminal offence, but I will be happy to clarify the situation exactly in a letter to my hon. Friend subsequently. I think that I have covered the point about the SRA and regulatory arbitrage.

A point was raised about other sectors—this point came through a lot in the passage of the main legislation—by the hon. Member for Garston and Halewood. The Government are actively examining the extent of the coverage. According to my initial statistics, in 2017-18 financial products and services claims made up 79% of CMC turnover and personal injury made up all the remaining turnover. A point that has often come up is about coalminers. If they do not already come under personal injury, we will be able continually to observe, and possibly extend, coverage, based on whether a discrete additional category is needed.

In relation to the next steps on this regulation, if the Committee approves the order today, the regulation will transfer to the FCA on 1 April 2019. The FCA regularly updates its rulebook. It is a robust regulator, which I have frequent dialogue with, and is subject to scrutiny.

Sir Oliver Heald: Does my hon. Friend agree that since 2006 there has been a problem in finding the right regulator for CMCs? The advantage of the FCA is that it is a big regulator that already covers a lot of businesses and has a lot of capacity to tackle the area, unlike the original trading standards-type regulation that was introduced in 2006. It was always intended that what the MOJ did would be a temporary measure. Is it not to be welcomed that the area will now have a robust and substantial regulator?

John Glen: I entirely agree. That is the purpose of the draft order, which will enable claims management regulation to be transferred to the FCA and the Financial Ombudsman Service. Given the breadth of their existing regulatory oversight, that will satisfy the concerns of those who want a more robust regulatory regime in place. Consumers will benefit from a well-regulated and professional claims management industry. The industry can provide important services to some consumers, but there needs to be confidence in how difficulties are handled.

Neil Gray: I do not believe that the Minister has adequately addressed the point raised about the five-year wait for monitoring. He says that he is accountable to the House. Of course he is, but it would be far more useful if he could lay progress reports before the House and have more frequent voluntary reviews to allow proper scrutiny of progress.

John Glen: My view is that there are clear categories that the Government have been challenged on with respect to inclusion. There was a judgment to be made about what was to be included in the order at this point in time, but I would seek to make regular reports to review progress—far more frequently than every five years, which is the formal requirement. It would certainly be within the FCA's remit to introduce changes far more regularly; if the hon. Gentleman reflects on the FCA's work on high-cost credit, he will agree that its interventions have led to more rapid changes. My expectation is that the regulator will respond to market changes and consider the appropriateness of extending to additional categories.

I hope that the Committee has found this evening's sitting informative and will support the order.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Financial Services and Markets Act 2000 (Claims Management Activity) Order 2018.

5.13 pm

Committee rose.