Regulatory Fees and Levies Proposals for 2022/23

Consultation

The British Vehicle Rental and Leasing Association (BVRLA) represents the demand side of the automotive industry. Our members engage in vehicle rental, leasing and fleet management. BVRLA members own and operate more than five million cars, vans and trucks. They spend more than £30 billion upgrading their fleets each year and are responsible for buying around 50% of new vehicles sold annually in the UK, including 83% of vehicles manufactured in the UK for sale in the UK. The vehicle rental and leasing industry supports over 465,000 jobs, adds £7.6 billion in tax revenues and contributes £49 billion to the UK economy each year.

The BVRLA and its members welcome the opportunity to comment on the proposed FCA fees and levies structure for the 2022/23 financial year. The BVRLA is broadly supportive of increasing the fees where it has been justified against the regulator's objectives. We agree that the FCA will need to recover its costs to a) provide additional support for newly authorised firms, b) apply standards more robustly, c) offer more protection for consumers and d) make improvements to the regulatory sandbox.

Whilst we understand the FCA will need funds to improve these services, the current proposals for fee increases are too steep, especially for SMEs in our sector. The proposed amounts may not accurately reflect the minimum costs required for regulation of smaller firms as no clear costed analysis or calculations have been provided to justify the increases.

Consultation questions

Q1: Do you have any comments on our proposals to rebase minimum fees for the A.0 and consumer credit fee-blocks on our model of the minimum cost of being regulated?

Fee-block A.0: rebase the fee on the minimum cost of being regulated

The BVRLA believes the proposed minimum fee increase to £2,100 is a major increase that will disproportionately impact small firms. We acknowledge that small firms have been protected by the fee freeze during the pandemic and that minimum fees will need to be raised to reflect the true cost of FCA authorisation. However, we feel that the proposed level of increase is not fully justified in the FCA's modelling of the minimum cost of regulation.

This is because the FCA bases the charges on a model which includes the cost of regulatory reporting, the Supervision Hub, unrecovered authorisations costs and policing the perimeter. Not all elements of this calculation are sufficiently justified nor transparent. Specifically, we would like to see additional clarity around the costs associated with Supervision Hub and policing the perimeter and how the increase reflects the minimum cost of regulation.

<u>The Supervision Hub</u>

The FCA state that all firms benefit from this service, meaning it is reasonable that firms should contribute to its cost. However, it is unclear how the FCA has quantified this statement. It is unlikely that all firms use this service, particularly on an ongoing basis and especially when firms have been regulated for some time and thus are fully aware of FCA regulations. Further analysis of the benefits of the Supervision Hub to all regulated firms, including utilisation analysis, should be conducted to substantiate this point with data.

<u>Policing the Perimeter</u>

Similarly, the FCA state that 'all firms benefit from the market confidence that is generated by investigating persons who may be carrying on regulated activities without authorisation' without providing a breakdown of these costs. For example, some of the costs of supervision must be recovered from the outcomes of these investigations and the financial penalties imposed on firms acting without authority.

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Given the scale of the increase in minimum cost, we believe the FCA needs to go further setting out how an increase to £2,100 is necessary and will benefit all firms. A more comprehensive breakdown is required to indicate how this minimum cost has been calculated and whether it is directly applicable to all firms to justify this raise. As authorisation is a legal requirement for firms to carry out specified activities, the minimum fee raise currently feels particularly large and unfair to SMEs in our sector.

Fee-block CC.2: integrate fully authorised consumer credit minimum fees into fee-block A.0
BVRLA members support this proposal as it is beneficial for firms paying two sets of minimum fees when they are authorised on the same activities retained within A.0. However, as the majority of firms are already in fee-block A.0, it is likely the minimum payment will only be a small fraction more than what firms currently pay at present.

Fee-block CC.1: rebase consumer credit limited permission fees on the A.0 fee
Despite the FCA's acknowledgement that firms with limited consumer credit permissions should continue to pay lower fees, this proposed fee increase is severe. The FCA submits that the CC.1 fee for limited permissions firms should be set at half the A.0 fee for fully authorised firms. Setting the minimum fee levels for lightly regulated firms at half the level of the raised A.0 amount is not sufficiently justified and therefore we do not agree with the £1,100 amount. Additionally, as previously stated, we do not believe that the leap to £2,100 borne by block A.0 is fully justified without quantification of an increased use in these services, such as from more firms being authorised.

We appreciate the proposal to stagger the cost increase to £500 for 2022/23 to cushion firms from the jump. However, we consider the increase itself from £250 to £1,100 unreasonable overall, especially as the raise may be too steep relative to actual use.

Q8: Do you agree with our drafting clarifications to FEES 4.2.9G and FEES 4 Annex 11AR?
The BVRLA agrees with the rule clarifications for FEES 4.2.9G and FEES 4 Annex 11AR and find these clarifications helpful for firms in our sector.

Q9: Do you have any comments on our approach to recovering our costs when new firms into the scope of FCA regulation through legislation?
Given that the pool of 'regulated firms' is growing and more firms are being accepted into the remit of the FCA, then this would naturally generate more income from application fees. Relaying these costs to periodic fee-payers could therefore reflect a lower jump, as opposed to just under a £1,000 increase. The FCA does not make clear how cost recovery has been sufficiently calculated against projected levels of authorisation. BVRLA members would like to see this breakdown.

About the BVRLA

- Established in 1967, the BVRLA is the UK trade body for companies engaged in vehicle rental, leasing and fleet management.

- BVRLA members are responsible for a combined fleet of over five million cars, vans and trucks on UK roads, that's 1-in-8 cars, 1-in-5 vans and 1-in-4 trucks. The vehicle rental and leasing industry supports over 465,000 jobs, adds £7.6bn in tax revenues and contributes £49bn to the UK economy each year.

- On behalf of its 1,000+ member organisations, the BVRLA works with governments, public sector agencies, industry associations and key business influencers across a wide range of road transport, environmental, taxation, technology and finance-related issues.

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- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.

- The association achieves this by maintaining industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection and governance programme and government-approved Alternative Dispute Resolution service. To support this work, the BVRLA promotes best practice through its extensive range of training, events and information-sharing activities.