

6 July 2006

Dear Consultee

**Compensation Bill  
Scope Order under Clause 3(2)(e);  
Compensation (Claims Management Services) Regulations 2006; and  
the Conduct Rules**

I am writing to consult you on the draft Scope Order under clause 3(2)(e) and the regulations for the Compensation Bill. Part 2 of the Compensation Bill provides for the statutory regulation of claims management activities. The Bill has completed its passage in the House of Lords and is currently before the House of Commons.

Baroness Ashton announced at Report stage in the House of Lords that DCA was considering whether in the interim the Secretary of State should regulate claims management services directly. Bridget Prentice confirmed at Second Reading in the House of Commons that the Secretary of State would be the Regulator; the monitoring and compliance function would be contracted out to a Trading Standards unit responsible for supporting the Secretary of State; and a non-statutory advisory committee made up of representatives of the financial services and insurance industries, the legal profession, consumer groups and the claims management sector.

As the Secretary of State is responsible for prescribing the rules we have developed the Model Rules first published in March 2006 to clarify and expand on the requirements that will be placed on those persons who are authorised to provide regulated claims management services. We are also formally consulting on the conduct rules as required under Paragraph 8 of the Schedule to the Bill.

I attach a paper that provides details about the regulation, the purpose of the consultation and specific questions on which we are seeking comments. The consultation paper will be made available on the DCA website at: [www.dca.gov.uk](http://www.dca.gov.uk).

In the main, this consultation follows the Code of Practice issued by the Cabinet Office. We intend to establish the regulatory framework in October, and making the Scope Order and Regulations are crucial to the framework. In the light of this pressing timetable and the extent to which the detail on the Order and Regulations have already been in the public domain, Ministers have agreed that the following deviation from the Code is appropriate in the circumstances: namely, that the consultation period on the draft regulations will run for 8 weeks, starting on 6 July and concluding on 29 August. We will then consider the responses and if necessary make amendments to the final draft regulations before they are laid before Parliament in the autumn.

To ensure that the consultation is as effective as possible, we will be meeting with key stakeholders during the consultation period. We also plan to hold by invitation consultation meetings in Newcastle on 21 July, Manchester on 26 July and London on 28 July to give firms likely to be affected by the regulations the opportunity to discuss the requirements with us directly. We would also be happy during the consultation period to discuss on a 1-1 basis any issues or concerns with anyone unable to attend these events. Written comments can be made as set out below.

A list of consultees who have received a copy of the consultation paper is attached. However, this list is not meant to be exhaustive or exclusive and responses are welcomed from anyone with an interest in or views on the regulations. If there are any other organisations that you think should be consulted, please us know as soon as possible and a copy will be sent to them.

We produced a comprehensive full Regulatory Impact Assessment (RIA) <http://www.dca.gov.uk/legist/compensation.pdf> to accompany the Compensation Bill. The RIA covers the impact of the regulations to be made under the primary legislation. We would be happy to discuss any regulatory impact issues arising as a result of the proposed legalisation.

In responding, I would be grateful if you would forward your comments by **Tuesday 29 August** to:

Katherine MacGregor  
Private Funding Regulation Branch  
Department for Constitutional Affairs  
3<sup>rd</sup> Floor Selborne House  
54-60 Victoria Street  
London SW1E 6QW  
Tel 0207 210 1407

E-mail: [Katherine.Macgregor@dca.gsi.gov.uk](mailto:Katherine.Macgregor@dca.gsi.gov.uk)

Unless you already have a direct contact within the team you should if you wish to discuss any element of the proposed regulatory regime also contact Katherine in the first instance.

This consultation document has attempted to identify the major issues on which stakeholders are likely to have views. However, there is no wish to constrain stakeholders. Comments on the principles that have been used would be welcome and any detailed comments on the specific wording would be particularly welcome. Respondents are also asked to point out any part of the draft regulations which does not seem clear.

We also intend to undertake four further consultations that are mentioned in the consultation paper. These include a consultation later in the summer on the fee scales, application form and exemptions. There will be a further consultation on the Claim Management Services Tribunal Rules in the autumn.

KEVIN ROUSELL  
Head of Branch  
Private Funding Regulation Branch

## List of Consultees

### **A: Government Departments**

1. Department for Communities and Local Government
2. Department for Work and Pensions
3. Department of Health
4. Department of Trade and Industry
5. HM Treasury
6. Home Office

### **B: MPs and Peers**

7. David Anderson
8. Charlotte Atkins
9. Julian Brazier
10. Nick Brown
11. Michael Clapham
12. Andrew Dismore
13. Paul Flynn
14. Michael John Foster
15. David Hamilton
16. Oliver Heald
17. Phillip Hollobone
18. Simon Hughes
19. David Jones
20. Kevan Jones
21. Tony Lloyd
22. Judy Mallaber
23. John Mann
24. David Marshall
25. Lembit Öpik
26. Andrew Robathan
27. Paddy Tipping
28. Angela Watkinson
29. Lord Goodhart
30. Lord Hunt of Wirral
31. Viscount Eccles

C: Members of the Constitutional Affairs Select Committee

### **D: Other Organisations**

32. Advertising Standards Authority
33. Advice Services Alliance
34. ALARM
35. Allianz Cornhill
36. Association of British Insurers
37. Association of Chief Police Officers
38. Association of Personal Injury Lawyers
39. ASLEF/Amicus

40. AXA Insurance
41. British and Irish Ombudsman Association
42. Certification Office for Trade Unions and Employers' Associations
43. Chartered Insurance Institute
44. Citizen Advice Bureau
45. Claims Standards Council
46. Complain2Us
47. Criminal Injury Compensation Authority
48. DAS
49. Employment Tribunals Service
50. Endowment Advice UK
51. Endowment Compensation Centre
52. Endowment Justice
53. Endowment Investigations
54. Endowment Shortfall Solutions
55. Endowment Solutions
56. Endowment Support
57. Federation Small Businesses
58. Financial Ombudsman Service
59. Financial Services Authority
60. Financial Services Compensation Scheme
61. Forum of Insurance Lawyers
62. Injury Lawyers 4 U
63. Institute of Legal Executives
64. Investor Compensation
65. Investor Complaints
66. Keystone Legal
67. LawAssist Legal Services
68. Law Society
69. Local Government Association
70. Lower Costs Complaints
71. Magistrates Courts Association
72. Motor Accident Solicitors Society
73. National Accident Helpline
74. National Consumer Council
75. Norwich Union
76. Office of Fair Trading
77. RAC
78. Raymond Clewer
79. Royal British Legion
80. Royal British Legion Solicitors Referral Group
81. Steve Bussey & Co
82. The AA
83. The Financial Reclaims Company
84. Thompsons
85. Trading Standards Institute
86. TUC
87. Which?
88. Zurich Municipal