



Ministry of
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CMR
Claims Management Regulation

Claims Management Regulation Newsletter

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Monitoring and compliance

The Rules of Conduct and other regulatory requirements will be vigorously enforced. The authorisation process was the first phase of this work. This included scrutiny of websites and in some case contracts. As a result of this work misleading claims on websites and unfair term in contracts have largely been removed.

With the initial authorisation work now complete the second phase of monitoring and compliance work is underway. Part of this work is reactive. The Monitoring and Compliance Unit receives a steady stream of intelligence information from other regulators and enforcement bodies, solicitors, claims management businesses themselves and those who deal with claims management businesses. Each is immediately assessed and where appropriate followed up. This may be through a simple request to a business, for example to remove misleading information from its website or to apply for authorisation, or it may be a request for information. In more serious cases the first steps to revoking authorisation will be taken. This has already occurred in a few cases.

In addition to this reactive work a proactive programme is being implemented. A survey of websites of endowment claims companies has been completed. This showed good compliance with rules in respect of misleading advertising, although some non-compliance on basic administrative matters such as the requirements to state company registration details, to give details of regulation and to give company information. The non-compliances are being raised with the companies concerned. A second project currently underway is to survey business relationship of personal injury claims companies in selected areas. Going forward the programme will include a number of other themed surveys, mystery shopping and inspections of businesses.

Information on websites

Some businesses are still not meeting regulatory requirements in respect of information on websites. Under the Rules of Conduct a business can use only the expression "regulated by the Ministry of Justice in respect of regulated claims management activities". No variations are permitted, nor can the Ministry of Justice logo be used. However, where a business has referred to the Department for Constitutional Affairs rather than the Ministry of Justice, then until 30 September 2007 this is acceptable, although businesses are asked to change the reference to Ministry of Justice as soon as practicable. Under the Electronic Commerce Regulations, regulated businesses must give certain information on their websites. The two requirements together can best be met by the following statement on a website –

ABC is regulated by the Ministry of Justice in respect of regulated claims management activities; its registration is recorded on the website www.claimsregulation.gov.uk.

Businesses must also include their complaints procedures on websites. Full details on advertising and marketing are given in the short guidance note [Advertising and marketing claims management services](#).

Claims Management Regulation is undertaken by the Ministry of Justice. Monitoring and compliance services are provided by Staffordshire County Council under contract to the Department.

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Applications

As at 19 June 989 authorised businesses were listed on the claims management regulation website and a further 196 will be listed as soon as their annual fees are received. It is now an offence to trade without authorisation. Solicitors should not accept cases from unauthorised businesses (unless they are entitled to be exempt), and those who receive claims are entitled to refuse to deal with unauthorised intermediaries. Some businesses have claimed that they can continue trading once they have submitted an application. This is not the case. However, enforcement action will not be taken where businesses have only just genuinely discovered that they need to be authorised and promptly submitted a complete application. Applications are now processed within four weeks; where an application has been submitted before 1 June and the business has not been authorised this is because the business has failed to respond to queries on the application.

Analysis of authorised businesses

Over 1,500 businesses providing claims management services have applied to be authorised under the Compensation Act 2006. A further 100 or so have submitted applications electronically but have not formally applied; some will not do so. The applications have been analysed to give an overview of the market. A full analysis will be published on the website shortly.

<i>Applicants by sector and turnover</i>			
<i>Sector</i>	Intending to operate	With turnover in full year to 30/9/06	Turnover
Personal injury	1,308	832	£177m
Criminal injuries	413	160	£1m
Industrial injuries	216	60	£1m
Financial matters	376	145	£74m
Employment	195	87	£4m
Housing disrepair	83	21	-
Total	1,656	1,020	£258m

The table shows those numbers of applicants who said that they intended to operate in each of the sectors, the number that reported turnover in the year to 30 September 2006 and the total of that turnover. The first column adds up to 2,591, indicating that many businesses say that they intend to operate in more than one sector. In practice almost all the businesses in the criminal injuries, industrial injuries and housing disrepair sectors (712) were also in the personal injuries sector. The second column probably gives a better indication of the number of active businesses. 636 of the businesses had no turnover at all in the year

to 30 September 2006 and a further 300 had not been trading for the whole of that year. This indicates both a rapidly changing sector, and probably also some re-organisation to take account of the introduction of regulation. Some other key data –

- 879 businesses reported that they had contractual relationships with clients and 645 that they represented clients. At first sight both these figures seem implausibly high.
- 502 businesses said that they accepted cases from exempt introducers.
- 159 businesses were FSA authorised.
- 1,095 businesses were private limited companies. 436 were sole traders, 84 were partnerships, 16 were public limited companies and 18 had another form of ownership.
- 1,108 of the businesses described themselves as claims management businesses, 240 as accident management companies, 47 as insurance brokers, 42 as being in the motor trade, seven as being in the medical and health sector and 212 as “other”.

The claims industry is characterised by a small number of large businesses and long tail of smaller businesses. In the personal injury sector 29 had a turnover in excess of £1 million, 194 a turnover of between £100,000 and £1 million, 488 a turnover of between £20,000 and £100,000 and 331 a turnover under £20,000. 477 of the businesses that said that they intended to operate in the sector had no turnover at all in the year to 30 September 2006. In the financial services and products sector 15 businesses reported turnover in excess of £1 million while at the other end of the scale 37 businesses had turnover of under £10,000.

The market for claims management services is rapidly changing. Many of the businesses now in the market have been trading for only a few years. Similarly there is still a steady stream of new applicants, most of which are new businesses. To some extent this may reflect a re-organisation of business structures as a result of regulation, but it probably also reflects the inherent nature of the industry. It is possible that a significant number of authorised businesses will not be renewing their authorisation in 2008 because they will have pulled out of the market. The Regulator will track the movement of people between authorised business so as to ensure that those guilty of malpractice in one business cannot simply move to another business and repeat that malpractice.