

The following Compliance articles are for the week ending 29 May 2009.

COMMENTARY

STATEMENT ON ITS USE OF STRESS TESTS

On 28 May, FSA commented that the publication in the US of the results of bank stress tests had provoked considerable interest in the use of stress testing by authorities in other countries, in particular in Europe.

Stress testing can and has been used in a variety of different ways, and the appropriate degree of disclosure varies according to the purposes of the tests.

This statement clarifies how stress tests have been used within the UK, provides information on the macroeconomic parameters currently being used, and describes how the UK approach fits within the EU-wide stress testing exercise on the aggregate banking system being co-ordinated by the Committee of European Banking Supervisors (CEBS).

The FSA's use of stress tests has not been a one-off exercise, but instead embedded in their regular supervisory processes, the FSA will not, as a matter of practice, be publishing details of the stress test results.

Furthermore given that the application of the tests will continue to evolve, the precise parameters used have changed and will change over time.

The exercise is not intended to assess specific institutions' need for recapitalisation, which to the extent necessary will continue to be done by national authorities using appropriate national approaches.

The FSA will be participating in this exercise and the EU wide scenarios will be agreed by the European Commission and CEBS. The exercise will be completed by September 2009.

[Source: FSA Website](#)

HANDBOOK PUBLICATION 88 PUBLISHED

On 29 May, FSA published Handbook Publication 88 containing:

- Information about recent Handbook-related and other developments
- Information about recently issued Handbook-related and other publications
- An updated timetable for forthcoming publications
- Information about Consumer publications and
- A link to the FSA Events web page which provides information about forthcoming conferences and training events

[Source: FSA Website](#)

FOS PUBLISHES ANNUAL REVIEW OF PERSONAL FINANCE DISPUTES

On 27 May, the Financial Ombudsman Service (FOS) published its annual review for the 2008/09 financial year. The review shows that during the year, the ombudsman:

- Handled 789,877 consumer enquiries and a record 127,471 new complaints

- Resolved 113,949 disputes – a 14% annual increase – with our involvement resulting in compensation for consumers in 57% of cases
- Saw the number of complaints about mortgages, credit cards and consumer credit rise by 34%, and insurance disputes increase by 84% – while complaints about mortgage endowments fell by more than half

50% of the total number of disputes related to six of the UK's largest financial services groups – broadly in proportion to the amount of business they carry out with consumers – more than 95% of businesses covered by the ombudsman service had no complaint referred to the service during the year.

Sir Christopher Kelly, chairman of the ombudsman service, said: “The financial world is a very different place now from a year ago – and the ombudsman, like everyone else, has been affected by the economic turmoil. For us it has involved dealing with a significant increase in the number of complaints arising from the impact of the worsening financial climate. As businesses tighten their belts – and the credit crunch leads to increased financial difficulty for many consumers – we are gearing up to deal with further volatility in complaint volumes.”

Statistics from the annual review show:

- Three-fold increase in complaints about Payment Protection Insurance (PPI) – following a five-fold increase in the previous year
- Complaints about motor, household and travel insurance rising – but complaints about health insurance levelling off
- Complaints about investment bonds more than doubling – but pension complaints falling by 9%
- 26% of cases referred on behalf of consumers by commercial claims-management companies (a 40% increase on the previous year)
- The proportion of complaints from "blue-collar" workers ("C1/C2") increasing by 17% – with complaints from people from professional backgrounds ("white-collar") falling by 18% in the last two years
- 74% of adults said they had heard of FOS with awareness of the ombudsman highest in the North and South East, and lowest in Northern Ireland
- The average cost of resolving a dispute at the ombudsman service has fallen 4% year-on-year to £508

[Source: FOS Website](#)

FOS ANNUAL REPORT COMMENTARY B THE ABI

A major agreement between insurers has resulted in a significant drop in complaints on critical illness insurance, according to the latest FOS Annual Report published on 27 May.

The ABI Code of Practice on long-term protection forms part of the ABI's Consumer Strategy, which puts consumer interests at the heart of what we do.

The Code guarantees that all ABI members Treat Customers Fairly when dealing with claims where they had unintentionally failed to tell their insurer a relevant piece of information when they applied for their policy.

As well as the FOS reporting fewer complaints on critical illness insurance, of the complaints that do go to the FOS, they are now finding that the insurer has acted fairly in more cases.

Nick Starling, the ABI's Director of General Insurance and Health, said: "This drop in complaints is a direct result of the ABI's Code of Practice. The Code looks at the way claims are dealt with where people failed to tell their insurer about a relevant piece of information when they applied for their policy. This is good news for consumers. It means people can be confident that when they buy a critical illness policy, they know it will pay out if it is needed."

[Source: ABI Website](#)

PEOPLE NEED PENSIONS

The ABI has produced a consumer leaflet; "People need pensions", to answer some key questions about pensions and annuities in the context of the current economic circumstances.

Consumer confidence will be crucial in helping the UK pull through the recession and on to future success. Long-term savings products, including pensions, have suffered due to stock market falls, and that has had a knock-on effect on confidence. The ABI's leaflet published on 26 May is designed to address all these issues.

"People need pensions" will be published on the ABI web site, sent to member companies, AIFA and consumer groups for use in any relevant customer communications, and to MPs to help them deal with constituents' queries.

Maggie Craig, the ABI's Director of Consumer Strategy, said: "'People need pensions" answers some key questions that people may have about their pension savings in the recession. It explains that pensions are a long-term product and gives reassurances that they are still an excellent option for long-term retirement saving, particularly because pension savers get free money from the Government and possibly from their employer in return for saving. It also gives information about annuities to help consumers get the best value for their money. In these difficult economic times, it is especially important that people make the right decisions about their finances, now and in the future. Saving for retirement is crucial both for individuals, as it helps to ensure they will have a more comfortable retirement, and for society, as it reduces the burden on future generations of taxpayers."

[Source: ABI Website](#)

ABI RESPONSE TO EUROPEAN PROPOSALS ON THE FUTURE OF FINANCIAL SUPERVISION

The European Commission has released its proposals for a new shape of EU financial supervision.

The Commission makes proposals for the membership and duties of the European Systemic Risk Council (ESRC), a European body with macro-prudential responsibilities, and micro-prudential bodies for banking, insurance and securities in the European System of Financial Supervisors (ESFS).

Responding to the report, Peter Vipond, the ABI's Director of Financial Regulation and Taxation, commented: "It looks like the 'supervisor of supervisors' that we have argued for will become a reality. It will provide consistency across Europe, something desperately needed by companies which operate across national boundaries. The Commission has added substance to the proposals of Jacques de Larosiere, published earlier this year. Insurers will want to ensure that regulatory bodies are staffed by people who understand insurance and accept that it raises very different supervisory issues from banking."

[Source: ABI Website](#)

Tax dates and deadlines

07 June Vat return date

19 June PAYE/NIC/Student Loan Payment
 CIS return date

Source: www.horsfield-smith.co.uk/

George Bylett
Corporate Governance Assurance Services Ltd
www.cgas.co.uk

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