

## Tailoring GABRIEL Income Reporting - by Terence Clark



A number of our clients have received a circular from a firm of compliance consultants which talks about the possibility of tailoring reporting figures to reduce regulatory payments.

From conversations we have had with our clients, it seems that this has generated a degree of “false hope” or confusion as the circular has not fully explained the position and brokers to whom this will not apply have been targeted in a somewhat blanket approach.

You will be aware that fees for FSA, FOS and FSCS are based on the income a firm receives from all of its insurance mediation activity, so the higher the income figure, the greater the fee (and vice-versa).

At your year-end return, GABRIEL requires you to state (on the shorter second return) your income that is applicable to each of the three fee areas. (FSA, FOS, FSCS). The FSA fee is calculated by reference to your total income, but the fees for FOS and FSCS are calculated by looking at the income from those clients who are eligible to

complain to (FOS) or claim from (FSCS) these bodies. As a reminder, the eligibility criteria are.

**FOS** – All Consumer clients and Commercial clients with a turnover of up to €2M (\*based on an exchange rate of €1.15 = £1, this is a turnover of £1.74M) and who employ fewer than ten persons. (\* At 28/6/10)

**FSCS** – All Consumers and Commercial clients with a turnover of up to £1M.

Therefore, if you can isolate the income derived from these clients, it is possible to report a lower income figure. So in the return, you would show three different levels of income. However, historically, many brokers have not been able to separate income levels in this way due to varying back office issues such as lack of reporting functionality, or lack of customer data in this area; and indeed, the previous low levels of FOS and FSCS fees meant that the cost of determining the various incomes from clients, outweighed the possible savings to be made.

Now, we see a much different picture with FSCS fees having risen dramatically. The savings potential is much more substantial.

Therefore, we would recommend that all clients review their back office systems for the ability to report on differing client parameters and also to ensure that they can accurately record and update each year the required information that would remove them from the FOS/FSCS requirement. **If you have submitted your return recently, the FSA may allow you to submit an amended return, but this would have to be discussed with the FSA on a case by case basis.**

One point to bear in mind, if you are a purely consumer driven broker, then all your income is reportable to FSCS/FOS.

Your RWA consultant can answer any queries you may have on this point and guide you further if you want to investigate the matter further, so please call them if you need anything at all.

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We welcome your questions and feedback.