

Financial Services Strategy  
HM Treasury  
1 Horse Guards Road  
SW1A 2HQ

8<sup>th</sup> April 2025

To the whom it may concern,

### **Consultation on Appointed Representatives Regime**

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies that provide financial services – primarily savings and loan facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit takers, they are dual regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loan facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and/or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at 42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with over 220 credit unions active in Great Britain today with more than 1.5 million members and £2.7 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

### **Consultation Response**

ABCUL welcomes the opportunity to respond to HM Treasury's consultation on the Appointed Representatives Regime.

ABCUL notes that when an Appointed Representative (AR) or Introducer acts solely as an introducer for a principal firm, such as a credit union, the scope of regulation should remain proportionate. This distinction indicates that Appointed Representatives or Introducer Appointed Representatives who only introduce customers to products should be subject to less oversight than those engaged in more comprehensive activities. The FCA's regulatory framework currently categorises introducers as lower risk, and we welcome the continued application of this existing framework for lower-risk Appointed Representatives.

Conversely, when an Appointed Representative takes on a more active role in sales, brokering, and other regulated activities on behalf of the principal firm, enhanced oversight and regulatory accountability become appropriate and necessary. Such measures are broadly supported, as they aim to strengthen consumer protection and ensure clear and effective pathways for redress when needed.

**Question 1: do you agree that a regulatory gateway should operate for principal firms, with authorised firms needing a permission from the FCA to act as principal?**

ABCUL generally supports the establishment of a regulatory gateway for principal firms. Being authorised by the FCA does not automatically equip a principal firm with the necessary experience or qualifications to effectively oversee an appointed representative (AR). The oversight required may demand technical expertise that the authorised firm may lack, which could increase the risk of ineffective supervision.

However, as mentioned in our introduction, when there is less risk for both consumers and the authorised principal firm, a proportionate regulatory regime should remain in place. A notable example is the use of introducer-appointed representatives, which several credit unions may wish to utilise. We believe that a credit union, as an authorised firm in this context, possesses the necessary expertise and technical oversight for making introductions.

**Question 2: do you agree with the proposed design of the permission regime for principal firms?**

Through the proposed design of the permission regime for principal firms, ABCUL advocates for a framework that emphasises the prevention of misconduct by appointed representatives (ARs). Currently, there is a regulatory gap where ARs do not bear full responsibility for their misconduct, with the principal firm bearing the entire burden.

**Question 3: do you agree that all of the detailed requirements applying to the contractual relationship between principals and their ARs, as well as requirements relating to the Financial Services register, should be set out in FCA rules?**

For regulatory consistency and clarity, there may be merit in incorporating detailed requirements of the contractual relationship between principals and their ARs. Ensuring regulatory proportionality for smaller firms such as credit unions will be important.

**Question 4: do you agree with the overall implementation approach proposed for the principal permission?**

ABCUL supports the current proportionate regulatory approach for the principals of Introducer Appointed Representatives (ARs) where the associated activities carry limited risk.

**Question 5: Are there other factors that need to be considered to avoid any disruption to existing principals and ARs?**

The continuation of a proportionate treatment of Introducer AR principals would avoid the disruption to existing principals and ARs, and clarity in guidance would be welcomed where a firm that is limited to IAR activities might need to apply for a variation in permissions.

**Question 7: do you agree that the FOS should have jurisdiction to consider a complaint against an AR where the principal is not responsible for the acts or omissions of the AR?**

ABCUL agrees that the Financial Ombudsman Service (FOS) should have the authority to consider complaints against an Appointed Representative (AR) when the principal firm is not held responsible. Expanding the FOS's jurisdiction to include complaints against ARs could provide a fairer approach to regulation. The principal firm may have conducted sufficient due diligence at the time of appointment and deemed the AR suitable for their role. However, if an AR, whether due to complacency or other issues, leads to an evidenced complaint from a consumer, the AR should be held accountable, regardless of the principal firm's relationship with the AR.

On the other side, Consumers should also have equitable access to the FOS complaints process. Any consumer engaging with a regulated financial service should have access to a complaints process, addressing what is often seen as a complaints gap or protection gap. This would further have a positive effect on the FOS and public confidence within redress and dispute resolution.

**Question 8: do you agree that complaint handling arrangements should remain the responsibility of principal firms?**

It would be appropriate for complaint-handling responsibilities to remain with principal firms. Ultimately responsibility of the AR primarily sits within the principal firm and so the complaint handling may also need to sit with the principal firm.

**Question 9: do you agree that the FOS should be able to involve an AR in the investigation of a complaint, as set out above, where a complaint relates to the acts or omissions of the AR?**

We agree that the FOS should be able to involve an AR in the investigation of a complaint.

**Question 10: do you agree that the proposed extension of FOS jurisdiction is not likely to have a material impact on the role of the FSCS, or the level of FSCS compensation to be provided?**

Due to the narrow nature of extension of FOS jurisdiction to ARs in specific circumstances, we do not anticipate it to have a material impact on the role of the FSCS.

Please contact us at [advocacy@abcul.org](mailto:advocacy@abcul.org) if you have any questions about our response to your consultation.

Kind regards,

A handwritten signature in black ink that reads 'Natalie McQuade'.

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ABCUL