

Chapter 5

Financial Ombudsman Service Funding

5.3 The general levy

- 5.3.1** **G** Each *financial year*, the FCA and FOS Ltd will consult on the amount of the *annual budget* of the *Financial Ombudsman Service* which is to be raised by the *general levy*.
- 5.3.2** **G** For the purposes of the *general levy*, a *firm* will fall into one or more of the *industry blocks* set out in ■ FEES 5 Annex 1 depending on the business activities which it conducts.
- 5.3.2A** **G** When identifying the relevant *industry block(s)*, the *TP firm*, *TA EMI firm*, *TA PI firm* or *TA RAISP firm* must identify the activity (or activities) in ■ FEES 5 Annex 1R that most closely matches that for which that *firm* is treated as having *Part 4A permission*.
- 5.3.3** **G** The FCA will determine, following consultation, the amount to be raised from each *industry block*. This will be based on the budgeted costs and numbers of *Financial Ombudsman Service* staff required to deal with the volume of complaints which the *Financial Ombudsman Service* expects to receive about the *firms* in each *industry block*. Modified arrangements have been made for certain types of small *firms* (see ■ FEES 5.5.3 R to ■ FEES 5.5.5 G).
- 5.3.4** **G** ■ FEES 5 Annex 1 sets out the fee tariffs for each *industry block*.
- 5.3.5** **G** The FCA will specify a *minimum levy* for *firms* in each *industry block*.
- 5.3.6** **R** A *firm* must pay to the FCA a *general levy* towards the costs of operating the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*.
- 5.3.7** **G** Under the *standard terms*, *VJ participants* will be required to pay to FOS Ltd an amount calculated on a similar basis towards the costs of operating the *Voluntary Jurisdiction* of the *Financial Ombudsman Service*, see ■ FEES 5 Annex 2R. FOS Ltd will be responsible for invoicing and collecting this amount.
- 5.3.8** **R** A *firm's general levy* under the *Compulsory Jurisdiction* is calculated as follows:

- (1) identify each of the tariff bases set out in ■ FEES 5 Annex 1 which apply to the *firm* for the relevant year;
- (2) for each of those tariff bases, calculate the sum payable in relation to the *relevant business* of the *firm* for that year (except *industry blocks* 2 and 4, in which case calculate the sum payable for that year);
- (3) add together the amounts calculated under (2).

5.3.8A **G** A *VJ participant* which becomes subject to the *Financial Ombudsman Service* part way through a *financial year* must pay a proportion of the annual levy required by ■ FEES 5.3 and ■ FEES 5 Annex 2R, to be calculated as follows:

- (1) a *VJ participant* joining during the first quarter of the *financial year* will pay 100% of the annual levy;
- (2) a *VJ participant* joining during the second quarter of the *financial year* will pay 75% of the annual levy;
- (3) a *VJ participant* joining during the third quarter of the *financial year* will pay 50% of the annual levy; and
- (4) a *VJ participant* joining during the fourth quarter of the *financial year* will pay 25% of the annual levy.

5.3.9 **R** For the purpose of ■ FEES 5.3.6 R and ■ FEES 5.3.8 R, a *member* of the *Society of Lloyd's* or a *managing agent* at *Lloyd's* will not in that capacity be treated as a *firm*. But the *Society of Lloyd's* will pay a *general levy* in respect of *Lloyd's insurance business* conducted with *eligible complainants*.

5.3.10 **R** For the purpose of ■ FEES 5.3, references to *relevant business* for a *firm* which falls in *industry block* 16 or 17 and which so elects under ■ FEES 5 Annex 1, are references to the *firm's* total amount of annual income reported in accordance with Part 2 of ■ FEES 4.

5.3.11 **G** Schedule 6A to the *Act* sets out a procedure to enable the *FCA* to cancel or vary the *Part 4A permission* of a *person* who it appears to the *FCA* is not carrying on a *regulated activity*. Paragraph 5 of that schedule sets out a procedure for annulment of cancellation or variation of *Part 4A permission* in specified circumstances. Where the *FCA* grants an application for annulment, paragraph 6 of Schedule 6A sets out its effect. In particular, the cancellation or variation of *Part 4A permission* is treated as if it had never taken place. As a result of the effect of annulment under Schedule 6A, the *general levy* and any other levy provided for under this chapter applicable to the *person*, in relation to the period during which the *person's Part 4A permission* was cancelled or varied apply to the *person*, unless the exemption in ■ FEES 5.1.4R applies.