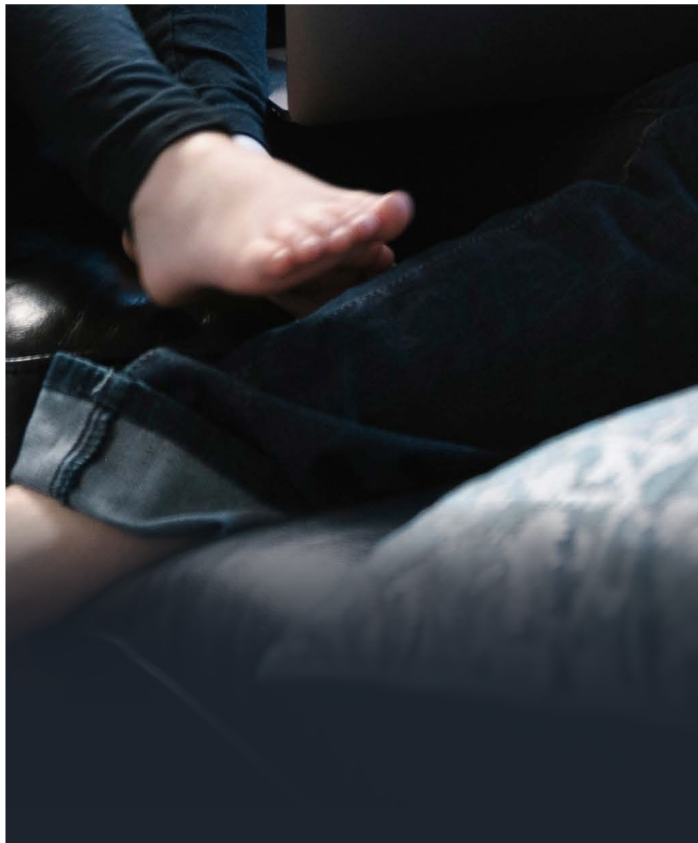




Our Positive Impact 2023



Contents

	Summary	3
1.	Identifying the positive impacts of our actions	5
2.	Benefits from our policy interventions	8
3.	Benefits from our enforcement actions	14
4.	Value for money ratio	20



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Summary

Demonstrating the value we add through our activities is an important part of being accountable to the public. In this document we set out and, where possible, quantify the benefits to consumers and markets that our activities generate in terms of the topline outcomes we highlighted in our 3-year [Strategy](#). Our [Annual Report](#), published in parallel, demonstrates our broader performance against our Business Plan, while our [service standards report](#) measures our operational performance.

This is the second time we report on the positive impact of our activities. As in our first [Positive Impact publication](#), we discuss 2 areas of FCA activity, new policy interventions and enforcement actions we take against firms and others in breach of our rules and other legal obligations. As much as possible, we aim to quantify the benefits we provide through these activities.

As with our first Positive Impact publication, this report looks at the benefits we delivered through policy interventions we undertook over a period of 3 years, as well as the benefits to consumers and the public from enforcement actions over the same period. Specifically for policy interventions, to best represent the aim of our interventions to improve outcomes for a target party – typically consumers but also wholesale markets – in this publication we only report the gross benefits from our policies and disregard the costs to firms or others. This is in line with the approach followed by other regulators in similar publications, such as the [CMA](#). We report annually what our regulations costs businesses, as part of our obligations under the Small Business, Enterprise and Employment Act 2015, as amended by the Enterprise Act 2016 (see for example our [Enterprise Act Annual Report for 2021/22](#)).

For the period 1 April 2019 to 31 March 2022, we estimate the benefits from a subset of our policy interventions to be at least £28.8 billion. This represents an annual average benefit of at least £9.6 billion. Over the same period, we identify benefits from direct consumer redress due to our enforcement, confiscations and penalties imposed on firms and individuals of just over £1.4 billion, an annual average benefit of nearly £0.5 billion. When we aggregate the benefit figures from both our policy and enforcement activities, together they give a total annual quantified benefit of £17 for every pound spent on running the FCA.

We have previously highlighted the challenges with quantifying the benefits of our activities. This remains inherently difficult, as much of these benefits are through preventing harm that may otherwise have been caused, which is often difficult, if not impossible to estimate. Our figures are likely an underestimate of the overall benefits our work generates, as they are based on a subset of our activities and are compared to all our annual costs. Specifically for our policymaking activities, our figures are based on the before-event estimates in our Cost Benefit Analyses (CBAs). While these are the best estimates available at the time we implement new rules, they often cannot quantify all the expected benefits of these rules. More accurate benefits estimates may sometimes be available for a given policy through a post-event evaluation ('impact evaluation'). For example, see Section 2 on our Overdrafts intervention.

Over time we may further develop how we estimate our positive impact in our annual reports. Our ability to measure the benefits from our activities may also increase. For example, one improvement we would like to make in the future is to measure and include in our estimates the benefits from other work we do, such as authorisation or supervision, which is not yet captured in this publication. We are also working to improve our methods for estimating benefits in our CBAs. These efforts will help better demonstrate our value for money and shape our priorities.

One longer-term benefit from our activities that we are not able to quantify is that, as our policies and enforcement activities prevent harm and deter unlawful firm behaviour, the need for further activities in the future may gradually diminish. This benefit may be particularly important for innovative, wide-reaching policies such as our new Consumer Duty.

The document is structured as follows:

- Section 1 discusses the positive impact of our actions and the challenges and limitations in measuring this impact
- Section 2 gives estimates of the benefits we generate through our policy interventions, as assessed by our CBAs
- Section 3 gives estimates of the benefits we generate through our enforcement activities
- Section 4 provides our value for money ratio

Chapter 1

Identifying the positive impacts of our actions

- 1.1** Our activities as a regulator of financial markets can have wide-ranging impacts. We can measure our impact against our statutory objectives: making markets work well by protecting consumers, protecting and enhancing the integrity of the UK financial system, and promoting competition. If realised, these objectives will ultimately result in greater consumer welfare, economic growth and competitiveness in the financial services sector.
- 1.2** Last year, we outlined the benefits we want to bring about in the topline outcomes we expect from financial services. These cut across all the markets and sectors we regulate, as highlighted in our 3-year [Strategy](#).
- 1.3** These topline outcomes are split across 4 themes – fair value, suitability and treatment, confidence and access. They are then divided between consumer outcomes and wholesale market outcomes, as shown in the table below. These outcomes are directly related to the different types of benefits our policies aim to achieve and we attempt to quantify them in our CBA and impact evaluation work.

Consistent topline outcomes		For consumers
	Fair value	Consumers receive fair prices and quality
	Suitability & treatment	Consumers are sold suitable products and services and receive good treatment
	Confidence	Consumers have strong confidence and participation in markets, in particular through (1) minimised harm when firms fail and (2) minimised financial crime
	Access	Diverse consumer needs are met through (1) high operational resilience and (2) low exclusion

Consistent topline outcomes		For wholesale markets
	Fair value	Market participants are able to make well-informed assessments of value and risks due to appropriate transparency
	Confidence	Markets are (1) resilient to firm failures and (2) clean with low levels of market abuse, financial crime, and regulatory misconduct
	Access	Markets are orderly in a variety of conditions so that market participants are able to access a diverse range of services with minimised operational disruptions

- 1.4** For example, benefits resulting from our regulation may be fairer prices (fair value), more suitable purchases of financial products that best serve consumers' needs (suitability and treatment), increased participation in financial markets (confidence) and improved access to financial services (access). Wholesale market outcomes include improved market resilience and cleanliness (confidence), and orderliness and lower operational disruptions (access). Consumer benefits are often the most common quantifiable effect of our work.
- 1.5** Alongside our Strategy and 2022/23 Business Plan, we published measures for these topline outcomes which we will use to track and hold ourselves accountable for progress. We report the full suite of latest values for these measures in our [outcomes and metrics](#) webpage.

Challenges and limitations in measuring benefits

- 1.6** Many of the benefits of financial regulation given above remain difficult to identify and quantify in monetary terms.
- 1.7** We discussed the many challenges in our [Positive Impact 2022 report](#). These included the challenge of isolating the benefits of our interventions from other factors, the reliance on assumptions when quantifying the effects of our interventions in monetary terms, the uncertainty over the length of time it takes for harm to reduce, and data challenges.
- 1.8** An additional challenge is that gathering data and evidence from firms and consumers can be time consuming and costly for firms, consumers and for us. In the absence of available data, we have to balance our need for evidence against the burden that our data requests place on our stakeholders.
- 1.9** One further challenge we mentioned was that many benefits of financial regulation are likely to be indirect. For example, our policy and enforcement decisions are likely to have both a direct and specific impact on certain market participants, and an indirect, more general impact on the future behaviour of those operating in the broader financial services sector. One such indirect effect is deterring firms with bad practices from trying to enter the market.
- 1.10** Despite the challenges, we believe it is important to quantify the benefits we generate as best we can, to improve both our understanding of the relative effectiveness of different types of interventions and our public accountability.

Potential benefits of different activities

- 1.11** Our activities are designed to deliver public value through achieving our objectives. However, as discussed above, quantifying these contributions is not always realistic.

- 1.12** The 2 following chapters discuss 2 areas of our activity where we have some, albeit partial, quantified estimates of benefits.
- New FCA rules, where we are required to conduct and consult on a cost benefit analysis of the impact of our proposed intervention.
 - Enforcement actions, where we have information on the expected or likely consumer redress to consumers as a result of our actions, and on any confiscation or penalties paid to the Home Office or Treasury, which have a deterrent effect and are also available to be used for public expenditure.
- 1.13** This does not mean that new rules and enforcement actions are the only source of our positive impact. There are also a wide range of ways in which we use our regulatory tools and interventions to deliver better outcomes. This includes authorisations, supervisory interventions and advocacy.
- 1.14** Our authorisations activities are an example of positive impact whose value we do not currently estimate. In Positive Impact 2022 we discussed the main benefits these activities bring.
- 1.15** One important benefit not captured in our estimates is the reduced need for additional policy interventions in the future. For example, our recent Policy Statement on the new Consumer Duty, which is outside this paper's reporting period, aims to protect the interests of consumers across the financial services sector. The broad and pre-emptive nature of this intervention prevented us from quantifying benefits in the CBA. However, we expect it to prevent harm across a range of sectors, and so limit the need for some targeted policy interventions in the future.
- 1.16** We therefore advise that changes in our benefits estimates between reporting periods should be interpreted with caution. A smaller number of policy and enforcement interventions in a future Positive Impact report may reflect the positive impact of activities we introduced in an earlier period and which are not captured in that report. We would expect that for every policy intervention we make, the affected market becomes more efficient and works better for consumers in ways we can't always quantify. It is important to consider this alongside the monetary benefits we quote in these reports.
- 1.17** Over time, our intention continues to be that we will estimate the actual or likely benefit of more of our interventions and activities. We will also explore different ways in which we can improve our estimates of the benefits we generate over time, such as the feasibility of quantifying the deterrence effect of our work. We have commissioned work to specifically look at the deterrence effect of our authorisation activities. We hope this will enable us to include evidence and potential estimates of the benefits of deterrence in future publications. We would expect this to add a significant additional benefit over and above the direct interventions we make, as demonstrated by other regulators in the past.

Chapter 2

Benefits from our policy interventions

- 2.1** This section presents the benefits from rules and interventions that we made in the period 1 April 2019 – 31 March 2022, as calculated in our published cost benefit analyses.
- 2.2** As part of our rule-making process, we are legally required to undertake, consult on and publish a CBA before proposing or amending our Handbook rules. Although we undertake CBAs before we act and are not necessarily required to present quantified estimates, CBAs typically represent our most detailed analyses of our activities' impact.
- 2.3** We routinely consider feedback from industry and stakeholders in response to our policy Consultation Papers (CPs) and may subsequently make major or minor changes to the intervention in our Policy Statement (PS). Where we make changes that affect the CBA, we highlight these in the PS.
- 2.4** The implementation period of our policies may vary. Implementation typically occurs a few months after we publish our PS. However, for simplicity, in this report we consider the date of publication of the PS to be the time of implementation.

Methodology

- 2.5** We present the total estimated benefits of our policies over the 3-year period 1 April 2019 – 31 March 2022, as well as an annual average over that period. Presenting figures over a 3-year period helps smooth out year-to-year variation in the number and scale of CBAs, and is consistent with approaches used by other regulators such as the CMA. Even though we have taken a 3-year average, the total benefits will still vary over time as larger policies fall in or out of the timeframe. While this year's estimates do not appear to be negatively affected by the pandemic and economic downturn, it is possible the impact estimates we produce over the next few years will be affected. This is because the number of CPs and CBAs in the financial year 2020/2021 was lower than that in pre-pandemic periods.
- 2.6** We take into account all benefits that are quantified in our published CBAs for all policies whose PS we published in the period 1 April 2019 to 31 March 2022.
- 2.7** In line with the Treasury's Green Book guidance on appraisal, in our CBAs we typically assume policies yield ongoing benefits over a 10-year period, and we estimate the present value of these ongoing benefits using a discount rate of 3.5%. In this report, for each policy in the period 1 April 2019 to 31 March 2022, we take into account both any one-off benefits and the present value of the ongoing benefits over 10 years.
- 2.8** In the few cases where a published CBA reports only annual benefits, we calculate the present value over a 10-year period for the purpose of this report. We then include that present value in our calculation of the total benefits from policies introduced over the period 1 April 2019 to 31 March 2022.

- 2.9** In line with our previous Positive Impact publication, we limit our analysis to CBAs published for larger rule changes. Where the proposals in our consultations involve no, or minimal, cost increase to firms, we may decide that we do not need to conduct a CBA. In these cases, we are required to include in the CP a statement of our opinion that no CBA is required and to explain why.
- 2.10** Where CBAs presented a range of estimates, we have taken the midpoint of the lower and upper bounds for the benefits estimated. On rare occasions this figure may differ from the CBA's central estimate. For example, a CBA may have presented 3 independent scenarios, in which the central scenario was not a simple midpoint of the high and low scenarios. In these cases, we have taken the central estimate. In cases where the original CBA estimates were revised in a PS, we use the revised figures for our policy estimates.
- 2.11** Alongside benefits, our policies typically result in costs for other parties, such as compliance costs to firms. To best represent the aim of our interventions to improve outcomes for a target party – typically consumers but also wholesale markets – in this publication we only report the gross benefits from our policies and disregard the costs to firms or others. This is in line with the approach followed by other regulators in similar publications, such as the [CMA](#).
- 2.12** We do report costs to firms or others in our CBAs and we also report annually what our regulation costs businesses, as part of our obligations under the Small Business, Enterprise and Employment Act (see, for example, our [Enterprise Act Annual Report for 2021/22](#)). We judge any rules that reach implementation stage to be proportionate and therefore net beneficial. This applies even when we cannot quantify benefits, and typically our breakeven analysis contextualises why we believe the intervention is proportionate.
- 2.13** We express monetised benefits in our CBAs in nominal terms at the level of prices in the year of the CP. For better comparability across policies, in this publication we adjusted all reported policy benefits to 2021/22 prices. We did this using the Treasury's [latest available GDP deflators data](#) (March 2023). This has the effect of slightly increasing the size of the overall benefits. We did not make this adjustment in last year's Positive Impact publication.

Quantified benefits

- 2.14** It is often not feasible to quantify all the benefits of a new rule in monetary terms. This is especially true for indirect or second-round impacts of market improvements such as improved competition. In many cases it is not reasonably practicable to quantify benefits. In these cases, our CBAs instead contain a non-monetary quantification, a qualitative assessment or a break-even analysis. Because fully quantifying benefits is challenging in some circumstances, even in cases where we can quantify an element of benefits, we may underestimate the true scale of benefits.
- 2.15** When benefits are not fully monetised, we only go ahead with rules where we consider the benefits are likely to be greater than the costs, or where we have taken into account the vulnerability of and harm to consumers when weighing up the benefits against the costs of intervening.

- 2.16** Consistent with last year's publication, we only report on CBAs that quantify at least some element of the benefits. This accounts for around one third of all CBAs during the 3-year period to March 2022, presented in Table 3. The list does not include CBAs where we did not quantify any benefits but provided an analysis of the minimum benefits required to break even. We therefore underestimate the benefits delivered by our interventions over this period.
- 2.17** Our method for estimating the benefits from our policies may evolve further in the future as we take on board views from stakeholders (eg our upcoming CBA panel) and improve our processes for conducting CBAs. For example, in the future we aim to report cost and benefit estimates over a 10-year period in present value terms more systematically in our CBAs. We are also considering ways to better capture the wider impacts of our policies where possible and proportionate, including the impact to the wellbeing of consumers and the value of their time saved. Such improvements will allow us to better estimate the impact of our interventions, give stakeholders more clarity on the benefits we expect different parties to receive and increase our alignment with external best practice (including Central Government).

Assessment of likely future impact vs post-event evaluation

- 2.18** The benefits figures we present here are based on our estimates before the policies are implemented, using the best available information at the time. Because of the uncertainties in before-event estimation, the benefits that actually materialise after the intervention may differ.
- 2.19** Impact evaluations are usually more accurate. This is because they consider the observed rather than expected impact and are based on information or data collected after the intervention has happened.
- 2.20** In our recent impact evaluations, we found some evidence of how costs and benefits may differ from our CBA estimates in practice. For example, in our evaluation of our general insurance renewal transparency intervention, costs were around 70% less than estimated in our CBA before our intervention, and benefits worked in different ways to those we originally anticipated.
- 2.21** We conduct a small number of targeted impact evaluations each year. As in the general insurance example above, our impact evaluations can provide more reliable estimates on the realised costs and benefits of our implemented policies. However, this is not always the case or the focus in an evaluation. For example, as mentioned in Positive Impact 2022, our Rent-to-Own price cap evaluation found prices had fallen due to the price cap's benchmarking requirement, contributing to lower costs of financing for consumers. Although the observed equilibrium prices were in line with our expectations, we did not calculate total consumer benefits as a result of the price cap.
- 2.22** Our evaluations can also provide post-event estimates where we have been unable to quantify benefits before-event. We recently published our evaluation of the 2019 Overdrafts intervention where we estimate a total benefit of £0.95 billion from pricing and repeat use remedies over the period covered by the evaluation (April 2020 – March 2021 for pricing remedies; November 2019 – September 2021 for repeat use remedies).

This is likely to be an underestimate of the total benefits from our Overdrafts intervention, as we expect that consumers will continue benefiting after the above time periods. We don't include these benefits in the total benefit and the value for money estimates in section 4, to avoid mixing before-event and after-event estimates.

Our benefit estimates

- 2.23** Table 1 presents our benefit estimates for the period 1 April 2019 – 31 March 2022, as well as the benefits we estimated in our previous publication for the period 1 April 2018 – 31 March 2021.

Table 1.

	Total benefit (£m)	Annual average (£m)
2018-2021*	20,712	6,904
2019-2022**	28,849	9,616

* Benefits in nominal terms, as reported in Positive Impact 2022.

** Benefits in 2021/2022 prices.

- 2.24** In the 3 years to March 2022, we estimate that our new rules have generated a total benefit of £28.8 billion – an annual average of around £9.6 billion. Given our methodology, these benefits estimates are likely to be underestimates of the true impact.
- 2.25** While this is higher than the £20.7 billion generated in the previous rolling period (3 years to March 2021, as reported in the revised version of our Positive Impact 2022 report, published in July 2023), for reasons explained in the previous sub-sections, we advise against comparing these periods.

Policy interventions included in our estimates

- 2.26** Our estimates are based on the benefits of policy interventions implemented in the last 3 years for which we have been able to quantify, at least partly, both the costs and the benefits in our CBAs. This represents around one third (17 out of 50 of all the CBAs for our 2- and 3-star CPs in the past 3 years to March 2022. We provide a breakdown by year in Table 2 below.

Table 2.

Year	Policy interventions considered in our estimates
2019/20	7
2020/21	5
2021/22	5

2.27 Table 3 below shows the list of policy interventions for which we have been able to include monetised benefits in our total benefit estimates. We have estimated that the benefits from the new rules we created over the past 3 years are equal to an annual average of at least £9.6 billion in present value terms. The remaining 33 interventions not included in Table 3 are nevertheless judged to be net beneficial, despite our analysis being unable to illustrate this in monetary terms. For example, the CBAs for our Asset Management Market Study remedies and our rules on building operational resilience did not quantify benefits but did contain break-even analysis to demonstrate what would be needed for the interventions to deliver net benefits. Taking into account the fact that we are not able to monetise benefits in these and other CBAs, our net benefits are likely to be greater than the costs of those interventions, and thus the total benefit we generate is likely to exceed £9.6 billion annually.

Table 3.

Policy statement	Policy Intervention	Total benefit in present value terms (£m)*
<u>PS20/6</u>	Pension transfer advice	11,826
<u>PS21/5;</u> <u>PS21/11**</u>	General insurance pricing practices	8,771
<u>PS19/18</u>	Restricting contract for difference products sold to retail clients	3,262
<u>PS20/8</u>	Motor finance discretionary commission models and consumer credit commission disclosure	1,410
<u>PS20/1</u>	Mortgage advice and selling standards	1,052
<u>PS19/17</u>	Buy Now Pay Later offers	523
<u>PS20/10</u>	Prohibiting the sale to retail clients of investment products that reference cryptoassets	511
<u>PS19/21</u>	Retirement Outcomes Review	410
<u>PS19/13</u>	Improving shareholder engagement and increasing transparency around stewardship	374
<u>PS21/13</u>	LIBOR transition and the derivatives trading obligation	211
<u>PS21/20</u>	Changes to UK MIFID's conduct and organisational requirements	125
<u>PS20/14</u>	Delay to the implementation of the European Single Electronic Format (ESEF)	86
<u>PS21/18</u>	Restricting CMC charges for financial products and services claims	83

Policy statement	Policy Intervention	Total benefit in present value terms (£m)*
<u>PS20/3</u>	Signposting to travel insurance for consumers with medical conditions	65
<u>PS19/27</u>	Changes to mortgage responsible lending rules and guidance	58
<u>PS20/11</u>	Mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages	55
<u>PS21/8</u>	Regulation of funeral plans	26

* Figures in this column may differ from those reported in the respective CBAs due to our adjustments to report benefits in 2021/22 prices.

** PS21/5 rules were later amended and updated in PS21/11, with no changes to the CBA.

Chapter 3

Benefits from our enforcement actions

- 3.1** In this section we estimate the benefits from our enforcement activities. As in Positive Impact 2022, our estimates capture:
- the benefits to consumers and others from redress by firms and others in breach of our rules and other legal obligations
 - the amounts paid to the Treasury and the Home Office from penalties and confiscation orders, on the basis that these are then used for public benefit
- 3.2** Where possible, we use figures on the actual amounts paid to consumers. Where this is not available, we use the amounts directed to be paid to estimate benefits.
- 3.3** Other benefits from our enforcement work, such as raising awareness and compliance, or preventing future misconduct, are less tangible and so we cannot reliably quantify them. However, they are equally important. At the end of the section, we discuss such benefits in more detail.

Methodology

- 3.4** Our analysis of enforcement benefits looks at 5 broad types of action:
- **Required redress:** Cases in which we formally use our statutory powers to directly require firms or individuals to pay redress to individuals.
 - **Administrative cases:** Cases in which we did not require firms to pay redress but the firms under investigation voluntarily paid or agreed to pay acceptable redress.
 - **Confiscation Orders:** Cases under Section 6, Part 2, Proceeds of Crime Act ('POCA') 2002 where the FCA, as prosecutor, applies to the Crown Court to make a Confiscation Order against a defendant who has been convicted and/or sentenced for an offence (eg fraud, money laundering offences).
 - **Restitution Orders:** Cases under Section 382 FSMA, where we apply to the High Court to order a person (legal or natural) who has breached a relevant requirement to pay us a sum that the Court considers just, for distribution to victims.
 - **Financial penalties:** Cases in which we impose a financial penalty on firms or individuals who engaged in misconduct.

Required redress

- 3.5** To use our required redress power, we must be satisfied that the relevant firm or person has made profits, or that consumers have been harmed, due to the breach of a relevant requirement.
- 3.6** We take redress benefits to be a one-off benefit to consumers, which aims to correct, as far as possible, the financial harm caused.

- 3.7** The number of redress cases may significantly vary year by year. We have only had to use our power to require redress once in the period 1 April 2019 – 31 March 2022, since, as set out below, firms typically decide to pay redress voluntarily.
- 3.8** Presenting redress payments as a net consumer benefit is different from the way we would treat redress in a cost benefit analysis of a new rule. In a CBA, an intervention that requires firms to pay consumers an amount of money would be treated as a transfer. We would record this simultaneously as a benefit to consumers and an equal cost to firms. However, since enforcement actions only involve serious misconduct by firms, we believe it is appropriate to consider such figures in our estimates of our quantifiable benefit, and so in the value for money of our activities. In theory, if all rules were subject to a CBA when they were first introduced, then all estimates of benefits from compliance with those rules would already be recorded. If firms subsequently failed to comply with those rules and paid consumer redress, there could be a risk of double-counting benefits (once when the rule was introduced, and once when the non-compliance was detected). However, we believe the risk of double-counting is limited, as:
- much of the Handbook was introduced before CBA requirements
 - even if a CBA was conducted on the rule being breached, the enforcement action may have taken place outside the period considered in the CBA (typically 10 years)
 - it is often not possible to capture all benefits in a CBA

Administrative cases

- 3.9** Our approach to enforcement strongly incentivises firms to voluntarily pay reasonable redress when we begin an enforcement action, as we consider the adequacy and speed of such redress payments when imposing penalties. As a result, firms under investigation tend to pay redress voluntarily where it appears necessary.
- 3.10** It is in theory possible that this voluntary redress would be made even without our enforcement activities. However, we consider this to be unlikely. At the very least, such voluntary redress may be considered part of the broader awareness and compliance benefits of our enforcement activity.
- 3.11** An example of this type of action is the voluntary payment of over £10 million by Barclays to consumers in 2022.
- 3.12** As with redress cases, it is possible that some of the recorded benefits are double-counted through our CBA work. However, we consider the risk to be limited.

Confiscation Orders

- 3.13** If the defendant in an enforcement action has been convicted and/or sentenced for an offence (eg fraud, money laundering), the Crown Court may order a confiscation to undo any benefits to the defendant from their criminal conduct ('Confiscation Order'). The Court may also require some or all of the Confiscation Order figure to be paid as compensation to victims of the defendant's criminal activity.

- 3.14** The FCA, as prosecutor, regularly asks for confiscation awards to be paid as compensation and puts significant amounts of work into identifying relevant victims and screening their claims for submission to the Court. The defendant pays the required funds under the Confiscation Order to Her Majesty's Courts and Tribunal Service (HMCTS), which then pays funds to the victims as directed by the Court.
- 3.15** Where these funds are not paid to victims in compensation, they go to the Home Office for general public spending or are spent on certain law enforcement projects. Under the Asset Recovery Incentivisation Scheme (ARIS), the Home Office pays back a proportion of the amount recovered under Confiscation Orders to the FCA and other UK law enforcement agencies. The funds are then spent on asset recovery, crime reduction and community projects.

Restitution Orders

- 3.16** When a person (legal or natural) has breached a relevant requirement resulting in consumer losses, we can apply to the High Court to order that person pay us an amount that the Court considers just (Restitution Order). We then distribute these funds as restitution to individuals harmed by the breach.
- 3.17** As with Confiscation Orders, the process can take several years due to appeals by those subject to the order, the time taken to gather funds and potential bankruptcy proceedings. In some cases, it is not possible to recover the full funds, as this depends on the firm's or individual's ability to pay and varies depending on the type of firm in breach. In these circumstances, we are often unable to repay the full amount of the Restitution Order to consumers.

Financial penalties

- 3.18** Where a firm or individual commits serious misconduct, we may apply a financial penalty. We maintain a public penalty policy which requires us, as a matter of law, to set our penalties according to a detailed methodology which takes into account the harm or risk of harm of the relevant misconduct.
- 3.19** Treasury directions, made under FSMA, permit us to deduct specific enforcement costs from our penalties, if received. Once the total amount of penalties we receive during the relevant financial year has exceeded our budgeted deductible enforcement costs for that year, we pay anything over that to the Treasury.
- 3.20** Since this excess amount is typically used to finance general expenditure such as healthcare and education, we consider these amounts to be benefits of our enforcement activities. Penalties also have a deterrent effect as they reduce the incentives to commit misconduct. We cannot quantify the benefits of this effect, so our calculations are a lower bound estimate of the financial penalties' benefits.

Our benefit estimates

3.21 Table 4 below summarises how we measure the benefits from each of the 5 types of enforcement action.

Table 4.

Type of enforcement action	Benefits quantification method
Required redress	Total amount of redress directed to be paid to consumers in a given financial year over the period 1 April 2019 – 31 March 2022, according to the date of the Final Notice
Administrative cases	Total amount paid to consumers in a given financial year over the period 1 April 2019 – 31 March 2022, according to the date of the Final Notice
Confiscation Orders	Amount paid to consumers in compensation and to the Home Office (net of ARIS receipts), both from payments by defendants towards satisfying Confiscation Orders, for all Confiscation Orders made in a given financial year over the period 1 April 2019 – 31 March 2022
Restitution Orders	Total amount paid to consumers in a given financial year over the period 1 April 2019 – 31 March 2022, according to the date of the distribution directions in the Restitution Order
Financial Penalties	Total amount paid and total amount due to the Treasury in a given financial year over the period 1 April 2019 – 31 March 2022 from financial penalties

3.22 In Table 5 we report our estimates of the benefits from our Enforcement activity for the 5 types of cases separately. As with our policy benefits, we report all enforcement benefits over a 3-year time period, from 1 April 2019 to 31 March 2022. However, unlike our approach for policy benefits, we do not adjust our enforcement benefits for 2021/22 prices. This is because the payments made to consumers and the public are often made well after the Order or Notice date, in instalments, and their timing varies considerably, making it difficult to adjust for inflation.

Table 5

	Type of redress				Financial Penalties***
Financial year	Required redress	Administrative cases	Confiscation Orders	Restitution Orders	
£m					
2019/20	0.00	170.55	2.23*	3.17	206.60
2020/21	0.20	585.23	5.39*	3.43	139.40
2021/22	0.00	24.08	-0.31**	0.00	299.4
3-year Total	0.20	779.86	7.31	6.59	645.40
Annual average	0.07	259.95	2.44	2.20	215.13

* The figure reported here for FY2020/21 differs from the figure reported for the same period in Positive Impact 2022. This is because our Positive Impact 2022 publication relied on data available as of March 2022, and a number of payments were made since then towards a Confiscation order in FY2020/21.

** The ARIS funds the FCA received in FY2021/22 exceeded the total amount of confiscation awards paid to consumers and the Home Office due to Confiscation Orders made in that year. This is because the ARIS funds received by the FCA at any given year are not calculated on the basis of Confiscation Order amounts paid to the Home Office in that year, but on the basis of amounts paid to the Home Office in previous years.

*** Enforcement costs (including FCA staff and legal costs) have already been deducted from penalties to reach this figure.

Unquantified benefits of our enforcement activity

- 3.23** Beyond the types of benefits quantified above, our enforcement activities bring other benefits that are less tangible. These include raising awareness and compliance with our rules and other legal obligations and deterring firms and individuals from committing misconduct. We also undertake intervention work to disrupt and prevent future misconduct, which again is difficult to quantify.
- 3.24** Due to its nature, competition enforcement is another area where the benefits from our activities are often very difficult, if not impossible, to quantify. Our competition enforcement work ensures competition in the financial services sector remains strong and delivers good outcomes for consumers. In the box below we provide a brief overview of some of our work in this area over the last 3 years.

Box 1: Some of our competition enforcement activities

In January 2023 we issued a [statement of objections](#) to 3 money transfer firms due to price fixing concerns. While a statement of objections does not constitute a final decision, competition enforcement actions against price fixing behaviour can lead to fines (eg fines imposed on 3 asset management firms in 2019, totalling £414,900), and they can benefit consumers by deterring firms from engaging in anticompetitive activities and by allowing consumers to claim redress for loss.

Over the period 1 April 2019 – 31 March 2022 we issued 18 on-notice letters and 14 advisory letters. We issue these letters where we observe a potential infringement of competition law but decide not to open an investigation based on our prioritisation criteria (see paragraph 3.8 in our [guide to the FCA's concurrent competition enforcement powers](#)). Our advisory letters are largely educational in nature and intended to increase awareness of competition law, to achieve greater compliance by the relevant firm. However, on notice letters are more significant as we ask the firm to tell us what it has done or will do to address our concerns. In the same period, 8 of the firms to whom we issued on notice letters confirmed a change of their conduct after receiving our letter.

- 3.25** Often, when we take enforcement action, it follows other supervisory work we have completed after detecting misconduct or other failings. While we do not have sufficient information to be certain of this, it is likely that supervisory work has both an immediate deterrent effect on ongoing harm, as well as a specific impact on the conduct of the firm. As our supervisory work is often not made public, it is less likely to have a more general deterrent effect. We do not quantify the benefits of this supervisory work in this publication.

Chapter 4

Value for money ratio

- 4.1** This section compares the 2 sources of quantifiable benefit from our activities analysed in this paper – the benefits from our new rules and our enforcement activities – to the total costs of running the FCA in the period 1 April 2019 – 31 March 2022.
- 4.2** To provide a benchmark for the scale of our benefit estimates, we express them relative to our Annual Funding Requirement (AFR), excluding capital expenditure, as set out in each year's Business Plan. To ensure that yearly fluctuations in the AFR figure do not distort the picture for our impact, we use a 3-year moving average for total costs. This is consistent with the way in which we report estimated benefits. On this basis, our average annual cost over the period 1 April 2019 – 31 March 2022 is £587 million.
- 4.3** The AFR comprises all our work, whereas the numerator (CBA and enforcement benefits totals) only includes the fraction of the FCA's activity that we were able to quantify above. This means the real ratio of benefits from all FCA activities to AFR running costs will be much larger than our estimates suggest.
- 4.4** Table 6 below summarises our quantified benefits and presents our Value for Money estimate. We estimate an annual average quantified benefit of £10.1 billion over the 3-year period, corresponding to a Value for Money ratio of £17 for every pound spent on running the FCA.

Table 6. Annual average benefits and value for money ratio

	Average annual benefits (£ billion)	Value for Money (ratio of benefits to Annual Funding Requirement)
Benefits from rule making	9.6	17
Enforcement benefits	0.5	
Total benefits from rule-making and enforcement	10.1	

Note: The Value for Money Ratio in this table uses the total Annual Funding Requirement.

