

Unlocking Business: Reform Driven By You

ABI Response, December 2025

Executive Summary

As the voice of the insurance and long-term savings industry, we welcome the opportunity to support the government's ambition for regulatory reform that promotes growth and competitiveness. The UK's insurance and long-term savings industry is a cornerstone of financial stability and a key driver of investment and innovation, so it is essential that the regulatory environment does not constrain the sector's ability to grow and deliver for consumers, businesses and the economy.

The UK's insurance and long-term savings industry operates within a complex and evolving regulatory framework, overseen by multiple authorities including the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), The Pensions Regulator (TPR), HMRC, HMT, and the Financial Reporting Council (FRC).

Business-as-usual costs

This regulatory eco-system is essential for maintaining market integrity and protecting consumers. However, the cumulative burden of regulation has continued to grow over recent years, and attempts to reverse this trend, such as reducing the number of rules and lowering the costs from supervision, have not yet delivered meaningful savings in practice.

Regulatory costs are deeply embedded in day-to-day operations and continue to escalate. They arise not only from headline reforms but also from obligations that are woven into BAU - activities - processes, controls, reporting and disclosure - shaping how firms organise and resource core functions. Analysis commissioned by the ABI indicates that BAU compliance is the largest and most persistent driver of regulatory cost.

These BAU costs have been rising faster than inflation since 2021, reflecting the legacy effect of successive initiatives and the compounding impact of overlapping obligations. In practical terms, this trend constrains firms' capacity to invest and innovate, enhance customer experience, and deliver strategic transformation. The impact is particularly acute in competitive market segments where margins are tight. Without a fundamental shift in how regulatory costs are managed, our sector will face mounting pressures which threaten its long-term growth potential.

Regulatory behaviour

Our response sets out a range of themes that identify opportunities for reform to deliver meaningful benefits and growth opportunities, without compromising the essential protection regulation provides. This is not about deregulation. Instead, the focus should be on improving how regulation is designed and implemented, ensuring regulators operate in a proportionate and predictable manner, and they embrace opportunities for coordination to avoid overload and unnecessary duplication. The behaviour of regulators matters just as much as the rules themselves.

Using the RIG to improve cost transparency and sequencing

The [Regulatory Initiatives Grid](#) (RIG) already provides a helpful 24-month forward look at planned regulatory activity. Building on this foundation, we recommend that the RIG also presents clear, comparable cost information for each initiative so that Government, regulators and firms can identify and smooth periods of peak burden, improve sequencing decisions and target the greatest net benefit.

Specifically, we propose that:

- **Each initiative in the RIG includes a standardised, indicative cost range**, covering both the estimated one-off implementation costs and ongoing BAU costs, derived from the regulator’s underlying cost-benefit analysis (CBA).
- The RIG presents a **cumulative cost profile across the existing 24-month horizon** (for example, a simple visual “heatmap” and quarterly totals) so that periods with a high expected burden can be identified early.
- Where the cumulative profile indicates a **material cost peak** (against a proportionate threshold agreed between DBT, HMT and the regulators) the relevant authorities consider practical mitigations - such as improved sequencing, phased implementation, or longer compliance deadlines – before finalising timelines.

These enhancements would maintain the RIG’s role as a forward-planning tool while providing the transparency needed to identify cost peaks early, support better sequencing across regulators, and help deliver the Government’s 25% cost-reduction objective without compromising regulatory outcomes.

We recognise that the regulators have taken steps intended to reduce costs. Nevertheless, firms continue to report a persistent gap between the stated intent of reform and the operational reality they experience. For instance, while regulators have pledged to reduce the burden of data requests, firms continue to face significant challenges. Ad hoc data requests can be highly resource-intensive and not always demonstrably aligned with the regulator’s statutory objectives, generating substantial costs for firms and diverting attention from strategic priorities. The volume and frequency of such requests, often uncoordinated and unpredictable, adds operational strain and inefficiency across the sector. These requests come in addition to regular reporting and public disclosure requirements, which have expanded materially in recent years. We therefore consider it essential that the government holds regulators to account for delivering tangible outcomes, ensuring that commitments to reform genuinely reduce complexity, rather than add to it.

Evidence-based change and cumulative impacts

Change and reform should be evidence-based and carefully considered. New regulatory initiatives can create a legacy of ongoing obligations that layer over time as further reforms are introduced. Even when the immediate implementation costs fall away, the changes reshape operating models and embed compliance requirements into day-to-day operations. Therefore, reform initiatives must be underpinned by a comprehensive and rigorous cost-benefit analysis of both current practices and proposed changes, to ensure that efforts are appropriately targeted and deliver meaningful outcomes.

This cumulative effect of overlapping initiatives is rarely captured by current practice. CBAs often assess rules in isolation, provide vague and unrealistically low estimates of implementation costs, and overlook the compounding impacts. We recommend that CBA exercises are re-run as part of post-implementation review, allowing actual spending to be assessed against the pre-implementation estimates, with lessons applied to future assessments. Without evidence-based, targeted reforms, there is a real risk that efforts

to reduce the regulatory burden and meet government targets will result in a high volume of ineffective proposals, creating instability for the industry and consumers.

Regulatory stability

This risk must be mitigated as stability will allow the regulators to assess the cumulative impact of past reforms, methodically refine guidance and rules, and build trust through consistency. Stability also creates space and time for meaningful engagement with industry when evaluating existing rules and formulating new proposals. Creating a proportionate and stable regulatory environment is a strategic choice that enables smarter regulation and must not be compromised by a wave of inadequately considered measures.

A proportionate and targeted approach to regulatory reform - focused on halting the trend of rising business-as-usual compliance costs, while promoting consistent, predictable, and coordinated regulatory behaviour - will be essential to achieving the government's objectives. We look forward to continuing to engage with the government and regulators on these pivotal issues.

Section One: Identifying Regulatory Burdens to Business Growth and Innovation

We want to know which regulations make business life unnecessarily difficult when balanced against the benefits they bring – both for your daily operations and when you try to grow or innovate. We also want to understand how these rules affect different types of businesses. Your specific feedback will directly inform our regulatory reform agenda.

Be as specific if possible – name the exact regulations that cause problems. If you can't name them, just describe how they affect you, and we'll work across government to identify which ones need fixing. This isn't about eliminating all regulations – it's about making them more practical and efficient.

We are interested in radical solutions to remove or simplify regulations (including through AI and digital technology). We want to make regulatory compliance more efficient, and less costly and cumbersome for your business. Even if you cannot name specific regulations, describing their operational impact will help us work across government departments to prioritise reforms.

Subsequent sections will explore the direct and indirect costs of regulation on businesses, as well as quantify the opportunity costs imposed on innovation and growth. Your expertise is invaluable in creating a regulatory environment that protects necessary standards while enabling British businesses to thrive and compete globally.

Question 1

(a) Are regulations in your sector imposing unreasonable costs on **your business's** current activities?

Yes

The Insurance and Long-term Savings sector welcomes the Government's commitment to reduce business administration costs linked to regulation by 25% by 2029. The Financial Services Growth and Competitiveness Strategy also promised that our sector would have a stable regulatory environment that prioritises growth.

Insurance and Long-term Savings is a highly regulated sector. This regulation helps to provide market stability and can protect consumers. But it must be proportionate, predictable and designed to avoid unnecessary burdens that could stifle growth and innovation.

In recent years, ABI members have experienced substantial upfront costs associated with a demanding programme of new initiatives and regulatory change. To establish a baseline, the ABI commissioned Altus consulting, part of Accenture, to survey members to establish how much regulation was costing our sector. Firms across the sector participated. The analysis shows the total annual cost of regulation for insurers was at least £4.8bn. On that basis, achieving the government's 25% target would unlock £1.2 billion for innovation and investment. We consider these figures a conservative estimate of the overall cost, but an appropriate baseline against which to measure whether the 25% pledge has been met.

The research also found a year-on-year increase in costs for each of the past five years. This suggests regulators' streamlining efforts have not yet translated into material savings for firms. Once absorbed into BAU, regulatory costs are hard to reverse.

(b) Are there regulations which are limiting **your ability to grow **your business** further and/or innovate for the future?**

Yes

Major new regulatory initiatives can impose substantial upfront implementation costs on insurance and long-term savings companies. In addition to 'new' projects, the outcomes of thematic reviews of existing regulation often generate further upfront costs - for example, requirements to conduct gap analysis, produce action plans, update processes and retrain staff. In some cases, the necessary review of other parts of the rulebook to remove overlap or duplication occurs only after new rules have taken effect.

Firms then face additional complexity in aligning organisational change with evolving regulations, which disrupts strategic transformation and growth.

These are not just "one off" costs. Once implemented, they are then absorbed into the growing BAU costs, compounding the long-term burden. This is a direct drag on growth and reinvestment.

Regulatory initiatives can be both major policies (e.g. Solvency UK, Consumer Duty, pensions dashboards) or less high profile but still administratively complex measures (e.g. the introduction of the corporate criminal offence of facilitating tax evasion). While the former grab the headlines, the latter contribute materially to the overall cost burden while not being subject to the same overall scrutiny upon design and implementation.

(c) Do you think regulations in your sector are creating more unnecessary problems (costs or restrictions) for **certain types of businesses or business activities than others? For example, do they affect small businesses differently from large ones, or impact certain business models more heavily than others?**

Yes

Feedback from our members indicates that firm size and business model can have a significant impact on how insurance and long-term savings companies experience regulation.

Smaller firms often allocate a disproportionate share of change budgets to regulatory compliance - funds that might otherwise support innovation and product/service development.

Larger firms typically need to deploy significant FTE resources to manage regulatory change. They also face particular challenges ensuring compliance with changing regulatory rulebooks when undertaking strategic transformation or acquisitions.

We have also found that regulatory changes often fail to fully account for different business and operating models. For example, rules may not make sufficient allowance for the range of

distribution models (such as where insurance policies are bought by an employee as a benefit for their employees). Too often, the onus falls on regulated firms to assess and clarify how these rules are intended to apply, rather than on regulators to determine how they need to adapt for different business and operating models.

Due to consolidation in the sector and the long timescales pensions and other long-term protection and savings products have, life insurance companies often have many legacy systems and policies, with terms and conditions unavailable for newer products. This results in implementation costs scaling disproportionately in terms of time, complexity and cost where new measures require system or reporting changes are introduced.

(d) If you have answered “yes” to any of the above questions, please give **specific examples with evidence below, if possible naming individual regulations, or regulatory activities.**

As noted in the ABI’s answer to question 1a, Insurance and Long-term Savings is a highly regulated sector. We recognise the need for effective regulation that can protect consumers and maintain market integrity. At the same time, our sector makes a vital contribution to growth and investment, so regulation must be applied smartly and efficiently.

Too often, our experience of regulation is that it is implemented in a way that adds unnecessary cost to firms.

Members’ feedback indicates that costs often arise not only from the individual measures, but from the cumulative impact of multiple regulations being implemented or changed at the same time. We have not yet seen sufficient evidence of regulators working together to co-ordinate and sequence activities, and thereby manage this cumulative burden.

We asked members to provide examples of where these costs most often arise. As well as examples of specific regulations where they see the implementation costs as disproportionate to the benefits, they identified examples of the way regulators operate that drive unnecessary expense. These include:

Inconsistent approaches to applying rules, announcing changes and signalling intentions

- Firms are forced to consider a wide array of different methods of understanding the intentions of regulators. This can include high-level principles, which sometimes overlap with specific proscriptive rules. Expectations can sometimes be set out in guidance or sometimes with examples of good/poor practice. There may also be views expressed in letters or speeches.
- There is also feedback to thematic reviews or explanations set out in consultation documents.
- Firms are expected to monitor and interpret all these varying methods regulators use – a costly and complicated exercise.
- Rulebooks are not yet available in a machine-readable format, limiting the technical options firms could use to create efficiencies.

- We have also seen examples where multiple regulators issue consultations on the same issue, and while these are often presented as the outcome of joint work, we have seen cases where the explanations of the policy and the questions being considered do not match. Recent examples from the PRA and FCA include consultations on operational resilience and DEI. It has not been clear whether these reflect actual differences of opinion/intention from the regulators, or if the divergence has come about due to poor co-ordination.

Data requests

- These can include routine reporting requirements and requests to contribute to thematic reviews, as well as frequent ad-hoc data requests. The cost of these can be significant, particularly where new templates are needed and data must be sourced across multiple systems. Members report that a new data template can add c£20k for a typical large insurance business, with the cost of data collection in response to a thematic review reaching c.£180k in some cases.
- While we accept that regulators need good quality data to inform their decision making, firms rarely receive feedback on how their data was used, what it showed or whether a more pragmatic alternative would have sufficed. It is often not until the request has been issued that firms are in a position to assess what will be required to complete it. A more co-ordinated and planned approach would make the process of collecting data easier for businesses and, in turn, lead to better and more usable data for regulators.

Implications for staffing and resourcing

- When the various regulators who oversee insurance and long-term savings issue multiple requests or proposals concurrently, they rarely appreciate that it will be the same individuals within firms who are typically required to respond. These staff must prioritise competing deadlines or call on additional resources to help. At the same time, they may be managing remedial work from previous thematic reviews, which can include gap analysis, action plans or providing further evidence to regulators.
- There has been some improvement in co-ordination through the Regulatory Initiatives Grid ([RIG](#)). However, the information provided is not sufficiently granular to assess whether the resource implications of overlapping initiatives are realistic. In particular, the RIG does not indicate the anticipated cost or resource intensity reflected in the accompanying CBAs. The absence of this detail limits firms' ability to plan and sequence internal activity when several initiatives land at once. It also means neither the regulators nor the government have a comprehensive picture of the cumulative cost being placed on UK financial services as a whole over the forthcoming 24-month period.

Overlapping rules and requirements

- Regulators - especially the FCA through the Consumer Duty - are increasingly committed to a principles-based approach to regulation. For this to operate effectively in practice, there must also be a concerted effort to retire detailed rules where the principle now clearly covers the field. When legacy rules remain in parallel, firms must demonstrate adherence to broad principles while also satisfying specific, detailed rules. This creates duplication, uncertainty and avoidable cost – the practical “worst of both worlds”.

Mandatory content in customer communications

- Related to the issues with overlapping rules, there continue to be requirements on insurers to use extensive prescribed wordings (including in written communications and when talking to a customer over the phone), that customers rarely find useful. Although there have been efforts to make these communications more accessible, firms are limited in what they can do while regulators continue to prescribe the information that must be included.

Inconsistency with other industries and regulators

- There are instances where insurers are regulated on ‘cross cutting’ economy-wide issues differently from peers in other sectors, such as utilities. While some divergences are justified by the specific responsibilities of financial services providers, in other areas financial regulators have not set out a clear rationale for different requirements. Examples include the volume of sustainability reporting and disclosure (where insurers often face more demanding rules than many high-emitting sectors), new proposals on non-financial misconduct (where there appear to be inconsistencies with employment law) and the requirement to provide paper documentation.
- Similarly, tax governance measures and requirements are introduced on a cross-sectoral basis with little consideration of the implications for a highly regulated sector that already operates under stringent governance requirements. For example, there is no clear articulation of how Senior Accounting Officer tax rules interact with the existing regulatory framework. In addition, tax measures are often introduced or revised that can conflict with regulatory requirements, either explicitly or implicitly. Examples here include the announcements regarding the inability to reverse Pension Commencement Lump Sums, which appear to conflict with the policy intent of cooling-off periods, and the FCA not being consulted in advance.

DB pensions policy

- The two regimes for superfunds and insurers are another case in point. Most recently, uncertainty about the gateway test and its interaction with the surplus extraction policy –

which has increased the risk of regulatory arbitrage - has led to additional management time and policy activity on insurers' part.

- The PRA regime is robust and aims to maintain financial stability; the integrity of the gateway test is therefore crucial to prevent leakage and regulatory arbitrage. Therefore, the policy indirectly impacts the PRA. While different capital requirements for superfunds may be appropriate given they target less well-funded schemes, the rest of the superfunds regime e.g. risk management should be equally robust.
- Running two parallel regimes is inefficient and it means that a lot of the policy time is taken by ensuring there is no regulatory arbitrage, members are not disadvantaged and market remains efficient.
- Policy uncertainty and the lack of coordination between the regulators are detrimental and an additional burden for insurers. It is important policy decisions are not made on a case by case basis as this causes unnecessary confusion, which is further heightened by stances taken by commentators and consultants.
- Additionally, the lack of policy certainty and clarity from the TPR and the reticence of the PRA regarding the future and strength of the Gateway Test, now to be written in primary law via the Pension Schemes Bill has increased the risk of regulatory arbitrage. This resulted in increased burden on insurance companies in terms of management time and policy development activity.

In addition, we are aware of a number of examples where specific rules add costs or complexity, without evidence of a comparable benefit in fulfilling regulatory objectives. These include:

- **SYSC** (Senior Management Arrangements, Systems and Controls sourcebook) – the Handbook contains large amounts of organisational detail which becomes excessively complex and duplicative in distinguishing between different firm types and different forms of regulated activity.
- **PERG** – the scope of this has expanded unnecessarily beyond its intended role as guidance on threshold legal requirements.
- **PROD** – this now overlaps considerably with the Consumer Duty, often creates inconsistency between different parts of the distribution chain (underwriting insurers and brokers) and therefore has scope to be removed or scaled back
- **UK COLL Assessment of Value vs UK PRIN Value Assessment** - friction between current structure of the COLL Assessment of Value and requirements under Consumer Duty, which results in essentially two distinct but strictly related regimes to assess value in the retail investment space.
- **Consumer Credit rules for Premium Finance (application of CCA and CONC)** – these rules require complex information to be presented to customers, such as the APR metric, which is often misunderstood. Complying with the obligations through digital customer journeys requires complex data and systems builds, so reform of the CCA would allow for a more proportionate regime that protects customers with reduced complexity.
- **IPID** – the format of this disclosure was designed for paper-based distribution and should be revisited to ensure relevance where consumers increasingly prefer digital communication.

There are also several disclosure rules where firms have to produce different disclosures for different jurisdictions and a complex array of entity and product-level disclosures.

- **Sustainability disclosures (sustainability disclosure requirements and TCFD)** – there are a range of requirements here. The UK endorsement of ISSB S1 and S2 represents an opportunity to remove disclosures where there is little evidence of them being utilised or read (especially product-level disclosures)
- **UK Consumer Composite Investments vs EU PRIIPs, UCITS, and NURS** - large number of product disclosure materials and divergence between UK and EU requirements, resulting in different client facing materials in different jurisdictions for the same products.

However, while these are all examples where there is scope for removal or reform, it is important that all change creates costs for firms (including efforts at deregulation), so it is important that the same care is taken when phasing out or replacing a rule that we expect to be applied for new rules.

Question 2

How can we cut down on the paperwork and administrative burdens created by regulation and regulators, and with what positive effects? You should name specific regulations, regulators, and/or regulatory activities wherever possible.

The volume and piecemeal nature of regulatory communications makes it challenging for firms to maintain a clear view of regulatory expectations (we provide examples of this in the ABI's answer to question 1d above). We welcome efforts from the FCA to consolidate publications, such as replacing the Dear CEO and portfolio letters with annual market reports.

Many members have emphasised the benefit of regulatory rulebooks being made available in machine-readable formats, which would speed up gap analysis and allow for overlaps/inconsistencies to be identified more quickly.

The FCA's Consumer Duty webpages is an example of where streamlining could occur. There are over 85 separate resources, which can be difficult to navigate and digest, particularly for smaller firms or those without dedicated compliance teams.

Better use of the Regulatory Initiatives Grid (RIG) can give firms confidence about upcoming developments and help them allocate resources effectively. For example, the FCA's proposal to publicise enforcement investigations was absent from the RIG) and came without warning. A single, reliable source for expected announcements would reduce the need to monitor multiple channels and prevent unexpected demands on firms' resources.

Regulators should better understand how firms monitor regulatory activity and the costs of tracking multiple sources. Firms invest significant resources to follow consultations, policy statements, 'Dear CEO' letters (soon to be replaced by market reports), speeches, and podcasts. A more consistent approach to regulatory announcements would ease this burden.

The regulators should also assess the usefulness of administrative requirements placed on firms in order to avoid unnecessary costs for firms. For example, the FCA's suitability reports for providing investment advice can be time consuming to produce, yet many firms suggest they provide little benefit to consumers. In practice, some firms treat them primarily as a record-keeping tool to demonstrate to the Financial Ombudsman Service that recommendations were appropriate and that relevant factors were considered. This has led to reports becoming overly detailed and difficult for customers to understand.

Tax:

There has been an inexorable increase in the amount of tax compliance and reporting obligations being pushed on to FS organisations. These can be split into two categories- those where the obligation relates to the FS entities own tax affairs, and those that predominantly relate to customers of the business. Examples of the increased compliance burden that predominantly relate to the business's own tax affairs introduced in the last 10-15 years include:

- Senior Accounting Officer
- Tax Strategy
- Making Tax Digital for VAT
- DOTAS/DASVOIT tax avoidance scheme reporting
- Uncertain Tax Treatments reporting
- Corporate Criminal Offence of Facilitating Tax Evasion
- PAYE real time information on employees
- Country-by-country reporting
- Pillar Two compliance
- Economic crime levy compliance
- Financial Institution Notice reporting
- Transfer pricing documentation master file/local file

Examples of new measures that arise due to customer obligations include:

- CRS/FATCA
- PAYE real time information on pensions
- Multiple changes to pensions tax policy requiring systems updates and customer communication changes (e.g. annual allowance, lifetime allowance, inheritance tax introduction)
- Third-party data reporting (being introduced)

It should be noted that these are in addition to existing and new reporting requirements both on the corporate and customer sides, including routine tax compliance returns, new taxes such as the Diverted Profits Tax and the Multi-National/Domestic Top-up Taxes and payments and policyholder reporting on chargeable events, interest paid etc.

In addition, while new measures may appear reasonable in isolation, there is rarely an articulation of how the measures interact, there is no clear roadmap, and the piecemeal nature of legislative development adds to implementation costs.

There is a continuing trend of Government measures that shift ‘policing’ responsibilities onto financial services firms. As an example, the introduction of Promoter Action Notices moves the responsibility for stopping rogue third parties facilitating aggressive tax avoidance onto innocent insurers and banks. These obligations are costly to implement: firms need to ensure a robust program is in place to address the legislative requirements, and with both penalties and reputation at stake for errors or mistakes, this is an example of additional costs being loaded on to those organisations seeking to follow the rules. And ultimately, costs end up feeding through the value chain, including to those individuals and businesses who buy insurance.

Tax reporting requirements are often poorly targeted. The intended outcome is to clamp down on ‘bad actors’, however the introduction of the Corporate Criminal Offence is a stark example. Potentially unlimited fines for non-compliance mean that well run, regulated groups have needed to put disproportionate effort to ensure they can demonstrate/document that they have reasonable procedures. However, the intended targets of the legislation are unlikely to invest comparable effort. This dynamic raises costs without clear evidence of proportionate benefit.

Compliance investigations by HMRC are often poorly targeted. ‘One to many’ letters are designed to reach large numbers of taxpayers, where it would be impractical to contact them on a bilateral basis. However, insurance groups routinely receive these communications, despite them usually having a Customer Compliance Manager (CCM). These ‘broad brush’ letters do not take any account of the historic knowledge of the group that the CCM/HMRC have built up, nor are they tailored to the specific risk factors that this extensive understanding provides. This means that both taxpayer and HMRC time is diverted into responding to these queries, on areas that are immaterial in terms of the insurer/HMRC relationship.

Recent examples include the HMRC ‘one to many’ letter on the Construction Industry Scheme, where the technical analysis is disputed and the amounts of tax at stake are minimal. Due to the cost of challenging HMRC, groups have registered while disagreeing with the underlying analysis that they are within scope of the reporting obligations. Summarising, one-to-many letters should not be sent to organisations with a CCM.

Where new tax obligations are introduced, it is rare to see existing measures that were targeted at the same issue being withdrawn or reversed. One such example is the introduction of the OECD Pillar Two initiative – where imposing a global minimum tax on undertaxed profits clearly overlaps with onerous analysis already required under UK controlled foreign company rules and some of the associated transfer pricing requirements. Opportunities for simplification should be built into the design of new measures, not a forgotten afterthought.

A further concern is that Government systemically underestimates the cost to business when introducing tax changes. As an example, for Pillar Two, the original HMT impact assessment indicated annual costs to business of £8.2m, with total one-off costs of £13.7m. ¹By contrast,

¹ <https://www.gov.uk/government/publications/introduction-of-the-new-multinational-top-up-tax-and-domestic-top-up-tax/multinational-top-up-tax-and-domestic-top-up-tax-uk-adoption-of-oecd-pillar-2>

actual costs reported by the 100 Group of multinational groups ranged from £10,000 to £4.5m per year, on top of one-off implementation costs of up to £15m per firm.² The 100 group is a subset of those firms in the scope of Pillar Two, and illustrates the scale of underestimation of business costs to the extent that one wonders if any serious analysis was done before the impact assessment was published.

² <https://the100group.co.uk/wp-content/uploads/2024/02/tax-journal-100Group.pdf>

Section Two: Direct Costs of Regulation on Business

In this section we want to hear about the **direct** costs imposed on business by regulation. These are costs businesses must meet when laws require them to take specific actions, with little or no flexibility in how they comply. Indirect costs, i.e. those incurred because of how a regulator decides to fulfil its role through the processes it adopts etc, are examined in the next section.

This part of the business questionnaire focuses on four ways in which regulations and regulators may impose **direct** costs on a business:

- Information requirements
- Investigations, inspections and enforcement
- Further regulatory activities
- Regulatory structures and strategic prioritisation

Further information to help you answer the questions in this section is provided under each subheading below. Please be as specific as possible in your answers, providing clear examples to make your points and explaining how you think these issues can be addressed.

Your detailed examples will help us develop a comprehensive understanding of regulatory cost distribution across different business sizes and sectors, informing our efforts to create a more proportionate and efficient regulatory environment.

(A) Information Requirements

Regulations often impose a range of information obligations on businesses, including to:

- *Provide information to government bodies and/or regulators.* This can include for registration or notifications in relation to particular activities; periodic reporting on regulatory compliance; and/or making applications for any sort of licence or authorisation in relation to a regulated activity, or for an exemption from those requirements.
- *Provide information to third parties.* This can include requirements to label products or installations with specified consumer information; or to make other information, e.g. a financial prospectus to accompany investment products, available in certain circumstances.
- *Keep and maintain specified documents and records.* This might include keeping copies of some records for minimum time periods or maintaining up to date manuals on issues such as emergency planning.

Question 3

In relation to such rules:

- (a) What information or reporting does your business have to provide to regulators that creates unnecessary burdens? Please be as specific as possible.

Climate and Sustainability reporting

There should be a presumption in favour of requiring these disclosures at group-level, rather than requiring additional reports for specific entities or products. Firms could then have discretion to provide different layers of reporting if their structure or business model demands it. Their experience has been sub-reporting at entity level and product level is not used to inform decision making by stakeholders or investors and is not typically looked at by customers. Download rates for much of this material is very low. One option would be to move to a 'by request' model for much of this reporting, with guidance on appropriate response timelines.

Conduct regulation

Feedback from our members has suggested the following as creating unnecessary burdens and we have proposed possible reforms:

- A-H COBS Return: Questions 7–11 should be clarified or removed, or merged into REP025 to reduce duplication and better reflect their purpose if intended as attestation
- REP001 Close Links Report: The FCA should amend this return to focus only on UK-based close links, removing the need to report on frequent overseas acquisitions
- RMAR & REP073: The FCA should consider combining RMAR and REP073 into a single financial return to reduce reporting burden and improve efficiency
- Material Outsourcers (SUP15): The FCA should streamline the SUP15 notification process by aligning templates, reducing duplication, and providing submission references for internal tracking.
- REP021 series (GI Pricing): These returns should be retired now that pricing rules are embedded and the evaluation has confirmed they are working as intended
- REP001 Close Links Report: The FCA should amend this return to focus only on UK-based close links, removing the need to report on frequent overseas acquisitions

- (b) For any requirements identified in your answer to question (a), how much money does your business spend and how many staff hours are devoted to meeting these requirements? Please provide specific cost and time estimates if possible.

- (c) What changes would you make to reduce these burdens?

We believe the following changes will help reduce the burdens from the regulators supervisory work, and we are currently working closely with the FCA to feed into their data decommissioning and streamlining work, which is one important aspect of this.

- Regulators should better coordinate data requests to avoid multiple, overlapping demands on the same business areas within short timeframes. Requests should allow

sufficient lead time, be proportionate to the availability of data, and align with publication timelines to ensure the outputs are timely and useful.

- The timing of requests should be carefully considered. In the past, there have been instances where regulatory deadlines didn't take account of holiday periods (e.g. Christmas/New Year). This has meant that the actual time available to collate and prepare responses was significantly shortened by office closures and reduced staff availability.
- Rather than having to collate data into specific response templates, it is always appreciated where the regulators accept submissions in a format already used by the company.
- Where possible, requests should be co-ordinated with other regulators that are looking to obtain similar information.
- The regulator should proactively engage with the industry at the outset of any data request process. This could include a webinar, or similar, hosted by the regulator to outline their expectations for the response. Early collaboration ensures the right questions are asked and increases the likelihood that data requests will deliver meaningful results for all parties.
- We would appreciate the FCA providing clearer context behind data requests, such as the specific purpose or "exam question", to help firms understand what's needed and offer the most relevant information.
- Consideration could be given to the use of sampling to reduce the volume with the ability to seek further data or clarification as required. For example, the data request to support the Pure Protection market study in 2023 took around 18 months to publish findings as a result of the volume of data.
- It would be helpful to understand how routine data submissions are contributing to tangible outcomes—whether now or in the future. Where data does not deliver clear benefits, we would encourage the regulator to consider ways to reduce the reporting burden on firms.
- Unnecessary data requests should be decommissioned. The communication of the decommissioning should be done through a clear and dedicated communication route, rather than through press releases.
- The regulators should take a more flexible approach to implementing changes to their reporting requirements, even if the reform is intended to reduce costs. Simplification can create new costs, as changes to pre-existing processes can take significant resources to implement. We therefore welcome the regulator taking a more flexible approach when making significant changes to reporting requirements.

(B) Investigations, Inspections and Enforcement

Regulations often contain requirements that regulators conduct periodic inspections and investigations, or powers to enable them to do so where they consider it appropriate. Failure to comply can result in enforcement action including fines, requiring a business to do certain things, or even prosecution. Some of the need to co-operate with enforcement bodies is the inevitable consequence of an enforcement regime, but some requirements may feel disproportionately burdensome for your business.

Your insights will help us identify how the current investigation, inspection and enforcement regimes can be made more proportionate – focusing resources where risks are greatest and reducing unnecessary burdens.

Question 4

- (a) What does your business have to do for regulators' investigations and inspections which you feel is unnecessarily burdensome? Please be as specific as possible.

- (b) For any requirements identified in your answer to Question (a), how much money does your business spend and how many staff hours are devoted to meeting these requirements? Please provide specific cost and time estimates if possible (but exclude any penalties that might be levied through enforcement action).

- (c) What changes would you make to reduce these burdens?

(C) Further regulatory activities

The Government has already announced a range of measures to simplify this landscape, so that it is easier and less costly for business to navigate while continuing to act in consumers' and the wider public interest.

In this section, please provide evidence of any additional ways in which legal obligations imposed by a regulator have created unnecessary burdens or operational challenges for your business. This may include requirements stemming from a regulator's statutory duties or discretionary powers that compel businesses to take specific actions, even when those actions may not be proportionate or clearly aligned with business needs.

We also would like to understand whether and how you think regulators should be doing more to drive growth. Under the Deregulation Act 2015, certain regulatory bodies must have regard to the desirability of promoting economic growth under the "Growth Duty", alongside various other duties. The Government announced on 21 October that it intends to reform the Growth Duty so that the legal framework is clearer, more focused and elevated to ensure regulators must actively consider and promote growth.

Question 5

- (a) In questions 3-4 above, we asked you about what you have to do to meet regulators' information and inspection / investigation / enforcement requirements. Do regulators make other demands of your business outside these categories which result in it facing unnecessary challenges?

- (b) If you answered "yes" to question (a) above, what does your business have to do which you feel is unnecessarily burdensome?

- (c) How much money does your business spend and how many staff hours are devoted to meeting these requirements? Please provide specific cost and time estimates if possible.
- (d) What changes would you make to reduce these burdens?

Question 6:

- (a) Do you believe the regulators you deal with adequately support economic growth in your sector?

No

- (b) If not, please provide evidence of how this could be improved if they had a stronger legal duty to promote economic growth alongside their main objectives?

The secondary growth and competitiveness objective has been a positive development in ensuring the FCA and PRA support economic growth.

However, the government must better hold the regulators to account when delivering on the commitments associated with the objective. For example, whilst we welcome the FCA's commitments to reduce the reporting burdens on firms to remove unnecessary regulation that inhibits growth, the experiences of our members suggest a divergence between stated intent and the operational reality.

A recent FCA general insurance pricing practice data request exemplifies this divergence, with one of our members indicating it cost over £600,000 to complete. Similarly, although the PRA have announced the reduction of the number of templates by one-third as part of its 2024 reforms, industry has not seen a corresponding reduction in the burden of regulatory reporting. The introduction of new reporting requirements is also a concern. For example, the consumer credit product sales data (PSD) is likely to be substantial and highly granular, which stands in contrast to efforts to streamline reporting requirements to support growth.

In addition, the reductions in reporting requirements can often have minimal impacts on firms as the change only results in the end step being removed. For example, both the decommissioning of REP022, General Insurance Pricing Attestation, and removing the requirement to submit nil returns for REP008, Notification of Disciplinary Action, are part of a package that is estimated to impact over 36,000 firms and save over £25 million. However, feedback from our members has suggested the changes will result in a small difference. For REP022, firms will still have to do all the governance, which involves significant costs, but just not submit the final report. In addition, for REP008, removing the requirement for nil-returns will also have a small impact.

The publication of the "Key Regulator Pledges" [grid](#) is a welcome addition and we hope this will result in meaningful action should the regulators fail to meet their objectives.

(D) Regulatory Structures and Strategic Prioritisation

We would like you to identify regulators that perform with similar, overlapping, or potentially redundant functions and consider whether these could be consolidated or, where appropriate, abolished. Please highlight areas where regulatory oversight is fragmented by such instances. Multiple agencies are responsible for overseeing different aspects of the same business activity. We encourage you to suggest specific opportunities for streamlining these processes in ways that would reduce the compliance burden on businesses, while still maintaining the integrity and effectiveness of regulatory objectives.

Finally in this section, we want you to recommend areas where more binding government guidance to regulators about how to weigh up competing priorities (sometimes called “strategic steers”) would benefit business planning and operations. This might include where you think that regulatory priorities appear misaligned with market realities or business needs. An example of a recent strategic steer is that issued to the [Competition and Markets Authority](#) in May 2025.³

Question 7

- (a) Would **combining or streamlining the number of regulators** save your business money, including where you think they do similar or overlapping work?

- (b) If you answered “yes” to question (a), please provide **further detail** here making clear which regulators, and similarities or duplication, you are referring to.

Even if the Government was to merge some regulators or their functions, there would still be a need for better co-ordination. One option that could be adopted is to appoint a ‘lead’ regulator for cross-cutting areas, who would run consultation exercises and make final decisions. This would prevent inconsistency across regulators.

For regulatory reform to produce meaningful changes to support growth, there must be a joined-up approach across different regulators. This means better co-ordination to avoid an overload of simultaneous initiatives from multiple bodies, which can create unnecessary complexity and cost for firms. Building on the work already underway through the Regulatory Initiatives Grid, this should include publishing estimated implementation costs for each initiative so that regulators, government and parliament have a clearer view of the cumulative impact of what is being proposed. The Institute for Government has reached the same [conclusion](#), warning that without systemic thinking and cross-sectoral leadership, reforms risk have a “piecemeal impact”.

Below, we provide examples of where misalignment between the Financial Conduct Authority (FCA), The Pensions Regulator (TPR), the Department for Work and Pensions (DWP), and the Information Commissioner’s Office, and the Financial Reporting Council cause confusion, duplication and/or uncertainty which hinders business development.

³ DBT (2025), [Strategic steer to the Competition and Markets Authority - GOV.UK](#)

DC charge cap regulations:

- Performance fees are commonplace in private markets. Misalignment of the pension fee charge caps rules between the FCA and TPR has impeded DC pensions progress in increasing exposure to private market assets, with some providers being subject to two different sets of rules. DWP/TPR rules exclude performance fees from the charge cap, but the FCA rules do not. In addition, providers often offer the same funds across the two books, which means the misalignment has affected the market disproportionately (ie. affected trust-based schemes too).
- Whilst we welcome that the FCA is considering changing their rules, we urge them to work closely with the DWP/ TPR to ensure alignment. Excluding performance fees without aligning the detail of these rules would continue to have duplicative and burdensome impact.

Targeted Support:

- While the Advice Guidance Boundary Review has been an excellent example of industry-informed policy development, more is needed in terms of policy alignment between TPR and FCA, on the latter's targeted support framework. Trustees need guidance from the FCA and TPR clarifying the FCA's perimeter with respect to trustees' ability to offer more tailored support to pension scheme members. The uncertainty is slowing down targeted support development, as contract-based providers that operate Master Trusts are unsure whether they'll be able to offer this support across their contract-based customers and trust-based scheme members.
- Alignment between TPR, FCA and ICO is needed with respect to direct marketing and customer communications. For targeted support, amendments to ICO direct marketing guidance and the Privacy and Electronic Communications Regulations (PECR) are required, which would make clear that targeted support communications sent electronically are in-effect excluded from being interpreted as direct marketing. The status quo is holding back providers from offering targeted support to customers who have not provided direct marketing permissions.
- It also means that if customers choose to opt-out of marketing, they will not receive the benefit of targeted support communications. Often, firms only have marketing permission for a minority of customers. The overall success of Targeted Support is undermined if communications can only be provided to a portion of consumers it is intended to support. Additionally, it may not be commercially viable for firms to develop solutions that they can only promote to a minority of their customer base.

Pension projections:

- There are varying requirements for tools and modelers relating to pensions. Presently, a customer may see (all in different formats) a key features document, a key features illustration, Statutory Money Purchase Illustration (SMPI), and fund investor information documents with different basis for projections depending on whether the disclosure is

required by FRC or FCA. This creates confusion for customers and additional work within firms to meet these varied rules.

Question 8

- (a) In which of the following areas do you think that regulators need clearer and stronger guidance from government to help them do their jobs better?

To manage risk / To support growth

- (b) Please provide further information about the regulators you are thinking about when answering this question, and any evidence for thinking such binding guidance is needed?

To manage risk and support growth

There should be clear alignment between the government and regulators surrounding what level of risk is acceptable when developing policy, which is a central factor in how the regulators will support growth. Whilst we welcome the regulators playing a stronger role in supporting growth, the government must be clear and set the parameters for the degree of their risk appetite and the level of risk they are comfortable with the regulators allowing to exist. We note the FCA has recently asked for relevant metrics against which they can be held to account, such as in the Mortgages discussion paper. The government's role is also important in ensuring that there is alignment between the various financial services regulators surrounding risk.

Section Three: Indirect Costs of Regulation on Business

In this section, we're seeking evidence on the **indirect costs** of regulation—those sometimes less visible but still significant burdens that arise from how regulators implement and enforce rules, and how businesses must adapt to regulatory procedures.

These costs may include:

- **Processes created by regulators** that go beyond legal requirements.
- **Delays** in decisions, approvals, or authorisations.
- **Time and resources** spent navigating complaints or challenging decisions.
- **Customer service and communication issues** that affect business efficiency.

We're particularly interested in **specific examples** that highlight how these issues impact your operations and bottom line, including which regulators are involved and what changes could help reduce these burdens.

This section focuses on three key areas:

- Regulator delays and timeliness
- Regulators' operational processes and behaviours
- Challenging regulators' decisions

Further guidance is provided under each subheading. Please be as specific as possible in your responses—your insights will help us identify practical ways to reduce unnecessary procedural costs and free up resources for growth and innovation.

(A) Regulator Delays and Timeliness

When regulators aren't clear about their timeframes or fail to meet them, businesses face uncertainty and additional administrative burdens due to delayed decisions and follow-up requirements. The [Regulatory Action Plan](#)⁴, published in March 2025, introduced measures to hold regulators to account more effectively, to improve regulator accountability through performance transparency. Regulators have now published their Key Performance Indicators (KPIs) on dedicated webpages and are engaging with stakeholders to ensure these metrics genuinely reflect performance.

We aim to go further, so in this section we would like to hear sector-specific evidence about the timeliness of regulatory decisions, including the extent to which regulators are transparent about their own performance standards, how they meet them, the costs incurred by business, and changes in regulatory practice that could address issues identified.

Question 9

⁴ DBT (2025), [New approach to ensure regulators and regulation support growth \(HTML\) - GOV.UK](#)

Do you think regulators are sufficiently transparent about their expected and actual delivery times, by:

(a) Having the right Key Performance Indicators (KPIs) to measure their performance?

Yes / No

(b) Providing updates on progress in reaching decisions?

Yes / No

(c) Please provide specific examples referring to named regulators here.

FCA and PRA Authorisations:

We acknowledge the progress the FCA and PRA has made regarding authorisations and improving the speed that applications are dealt with. However, we have heard concerns from firms relating to the use of the “stop the clock” mechanism, which can lead to delays in the authorisation process that are not always reflected in the performance metrics

We also understand that there can be delays from the initial application being sent and the time it takes for the FCA to deem the application as complete – which is when the timer for meeting the statutory deadlines start. The FCA can ask firms numerous questions about the application before it is ‘complete’ which takes time and this is not always reflected in the performance metrics.

Question 10

(a) Has your business experienced delays by regulators, such as a delayed approval / authorisation / licence?

(b) If yes, please specify the regulator and relevant process(s) where you can do so.

Question 11

How much do delays caused by regulators cost your business? Provide examples in either lost days or revenue or increased financial costs if possible.

Question 12

How do you think regulators could make decisions faster and reduce delays? Please suggest specific improvements that would help speed up regulatory processes.

We welcome opportunities for regulators to invest in new technologies and adopt more efficient practices to reduce delays, such as streamlining high-frequency regulatory activities and

leveraging AI. However, speed must never come at the expense of quality. The most effective way to ease the cumulative burden of regulation is not through a wave high volume of reforms or sweeping deregulation, but through greater stability in the regulatory environment. A stable framework, one that avoids frequent, high-friction interventions, allows firms to consolidate past changes, embed compliance effectively, and invest confidently in innovation.

Recent experience shows why stability matters. Regulatory announcements have sometimes felt rushed and insufficiently comprehensive, such as the FCA's CP24/2 on publicising enforcement investigations, which was not flagged in the Regulatory Initiatives Grid, lacked cost-benefit analysis, and attracted widespread criticism. Similarly, the PRA's CP12/23 on Solvency UK reforms gave stakeholders very limited time to respond, reducing the quality of engagement.

On the tax side, the process for agreeing VAT partial exemption special method applications is particularly cumbersome. Routinely this takes years rather than weeks or months as would be expected. The length of time for approval often leads to changes in the HMRC team and revisiting issues previously thought closed or new issues being raised when the pathway to finalisation seemed clear. Having a clear process and timelines agreed for HMRC to complete information requests and reach conclusions would be helpful. The extended timescales mean business incur additional costs (internal and external) and management focus upon dealing with this issue rather than on managing the business.

The regulators also need to spend more time conducting robust cost-benefit analyses (CBAs). Current CBAs often assess rules in isolation and fail to capture the cumulative impact of concurrent reforms, creating uncertainty for firms and weakening resource planning. Recent CBAs for initiatives like Consumer Duty, GIPP remedies, and PRA's solvent exit planning underestimated costs, lacked clear baselines, and relied on misaligned assumptions.

Regulatory reporting for insurers is an area where the PRA's cost-benefit analyses have consistently under-estimated the implementation costs associated with major reforms. There are three prime examples of this; these are set out in more detail below.

PRA consultation paper [CP14/22](#) 'Review of Solvency II: Reporting phase 2' proposed a comprehensive set of reforms to Solvency II reporting requirements in the UK. The ABI's response to this consultation noted that there would be sizeable implementation costs, given the extent of the source system changes (as well as the reporting system changes) likely to be required in modifying up to 38 templates and bringing in up to 15 new ones. We considered the PRA's estimate of implementation costs of £10-20k for a typical small insurer, and £600-1100k for a typical large insurer, as likely to be **significant underestimates**.

We also noted that the reforms would be likely to bring in an increase in on-going compliance costs – we did not recognise the figure of a 13% per annum reduction at which the PRA arrived. Industry estimates instead ranged from at best a neutral impact up to a **7% increase in compliance costs**.

In CP14/22, the PRA stated that it did “*not expect there to be material aggregate costs for firms from the consolidation of the existing reporting and disclosure requirements*”. We found this expectation to be **highly implausible** – there will invariably be considerable one-off costs associated with any such consolidation. As a principle, the PRA should recognise that even minor changes to a single template often bring about significant implementation costs.

The CBA associated with CP14/22 contained some questionable quantitative assertions. One example is the PRA’s claim that for insurance groups, the average implementation cost as a percentage of the firms’ operational costs could be as low as 0.00004%. This implies that an insurance group with annual operating costs of £100m could need to spend as little as £40 implementing the reporting reforms – **a highly implausible figure**.

PRA consultation paper [CP19/24](#) ‘*Closing liquidity reporting gaps and streamlining Standard Formula reporting*’ proposed the introduction of new liquidity reporting requirements for major life insurers. The PRA estimated that its proposals would result in aggregate one-off implementation costs for firms in scope of about £11m (i.e. c£1m on average per firm), with ongoing aggregate costs of about £3.6m annually.

The ABI response pointed out that the PRA’s proposed new templates would be very onerous for firms in scope, both in terms of one-off implementation costs and on-going maintenance and reporting. They require items (such as backward-looking cash flow data) that is not readily available, and for which firms would need to develop new systems and processes to source. This means **considerable additional complexity and cost**, in all likelihood well beyond the c£1m suggested by the PRA.

PRA consultation paper [CP22/25](#) ‘*UK Solvency II reporting and disclosure: Post-implementation amendments*’ addressed inconsistencies, errors and areas requiring clarification following on from the regulatory reporting reforms implemented during 2024. The PRA also identified some specific elements of the reporting framework that it considered should be reformed to better mitigate specific risks.

The PRA estimated that to implement its proposed reforms in CP22/25 in full, there would be a one-off aggregate implementation cost for industry in the range of £6.5m to £12.2m. Average firm-level estimated one-off implementation costs would be as low as £72k for large insurers and £1k for small insurers and mutuals – i.e. an order of magnitude lower than for the reforms proposed in CP14/22. The PRA considered that the proposals would have a minimal impact on ongoing reporting costs. The ABI is developing a response to this consultation; however, our initial assessment is that as with CP14/22, **these cost estimates appear unrealistically low**.

CBAs should also be used more systematically when reviewing existing policy to assess whether reform is necessary and how effective previous implementation has been. This approach would give the industry greater confidence that regulatory efforts are appropriately targeted and deliver meaningful outcomes.

Post-Implementation Review (PIR)

The examples above illustrate a recurring problem - cost-benefit analyses often underestimate implementation costs and overstate efficiency gains, but there is no structured mechanisms in financial regulation to verify these assumptions once policies are in force. This creates a static appraisal model - decisions are locked in based on forecasts that may prove inaccurate, and lessons are not systematically captured for future policy cycles.

While the FCA has undertaken occasional post-implementation reviews, these are *ad hoc* rather than embedded as a standard practice. Neither the PRA nor the FCA currently applies PIR as a routine discipline, leaving financial regulators out of step with HM Treasury's [Green Book](#), which sets the benchmark for appraisal across the UK public sector.

The absence of PIR matters because prudential reforms often involve material uncertainty at the proposal stage, as the PRA itself [acknowledges](#). Without a feedback loop, inaccuracies persist unchallenged, and the opportunity to refine assumptions and improve future CBAs is lost. A structured PIR process would allow regulators to:

- Compare actual costs and benefits against initial estimates;
- Identify unintended consequences or disproportionate burdens early;
- Calibrate future CBAs using real-world evidence;
- Align prudential regulation with the Green Book's gold standard for accountability and iterative policymaking.

We recommend that PIR be embedded as a core component of financial regulators' CBA framework, with reviews conducted for all material interventions, ideally within two years of implementation or after the first reporting cycle, and findings published to inform future policy design. This would move the PRA and FCA from a one-off appraisal model to an iterative approach that learns from experience, strengthens credibility, and ensures regulation remains proportionate and evidence-based over time.

(B) Regulators' Operational Processes and Behaviours

The procedures that regulators develop to carry out their role can also add significantly to businesses' administrative costs. Sometimes regulations require regulators to act in particular ways (see section on direct costs) but they often have a considerable degree of discretion about how they perform their roles. In some instances, businesses also have to rely on third party service providers to support them in regulatory compliance.

Businesses will always necessarily have to absorb costs so regulators can protect consumers and the public, but these costs must be minimised wherever possible. Digitalisation and the efficient information sharing between regulators can, for example, reduce administrative burdens on business. In this section we ask for sector-specific evidence about issues including where and how the processes regulators impose unnecessary costs; regulators' transparency about the impacts of their actions; and procedural improvements that might be made to reduce administrative costs to business.

Question 13

- (a) Can you provide examples of where regulators use outdated or unnecessarily complex processes (including where two regulators' processes may overlap)?
- (b) If yes, please provide evidenced examples.

Question 14

- (a) Do regulators provide sufficiently clear guidance about their requirements and processes when submitting an application (such as for a licence or permit) or other information?
- (b) Do regulators clearly explain how their decisions, guidance and rules affect business and consumers?
- (c) If not, please provide evidenced examples.

Regulators do not always clearly explain how their decisions, guidance, and rules affect businesses and consumers because their approach to cost-benefit analysis (CBA) is often narrow and limited. Current CBAs by the FCA and PRA typically assess rules in isolation and fail to capture the cumulative impact of concurrent reforms, leaving firms uncertain about resource allocation and operational planning.

Examples such as the Consumer Duty and General Insurance Pricing Practices CBAs show that implementation costs were underestimated and baselines poorly defined. CBAs should be treated as a strategic tool, grounded in robust data and revisited post-implementation, to provide transparency on costs and benefits for both firms and consumers.

Question 15

What changes should regulators make to their internal procedures, for example by digitisation or simplified reporting, to reduce administrative costs on your business?

(C) Challenging regulators' decisions

Businesses may also incur indirect costs where they decide to challenge regulators' decisions – for example where they disagree with a licencing decision or in response to an unfavourable outcome. Typically, after any internal appeals mechanism within a regulatory body is exhausted, it will also be possible to appeal further. Who considers such appeals will vary between regulatory regimes, and includes the relevant Secretary of State, the Competition and Markets Authority (CMA), the Competition Appeals Tribunal (CAT), the First-tier and Upper Tribunals, the Magistrates Court, and the High Court. Within these, there is a significant variance in grounds, complexity, time and cost.

Question 16

- (a) Do you think that mechanisms for your business to challenge a regulator's decision are unnecessarily complex or burdensome?
- (b) If yes, in what ways is the process for challenging a regulator's decision which you feel is unnecessarily complex or burdensome for your business? Please be specific about the regulator being challenged and the type of decision being challenged.

HMRC have a requirement to interpret tax law and challenge where taxpayers take inappropriate positions. For taxpayers own affairs there is a well-established procedure through self-assessment across many taxes, where taxpayers submit a return based upon their interpretation of the law and if HMRC wish to investigate they can open an enquiry with potential for amendments to be made. Where the taxpayer disagrees, these can be challenged in court. Court processes are lengthy, but taxpayers and HMRC will willingly undertake these where amounts of tax are high.

However, there are many instances for financial institutions where there are requirements to interpret the law and withhold tax on income accruing to another taxpayer e.g. withholdings applied to insurance policy or pension payouts. Penalties are often extreme (c.f. pension penalties of £300 or £3,000 per instance which can apply across a book of thousands of policies). Banks and insurers therefore often have to take a prudent view of withholding requirements in line with HMRC views, which may not be the position that would align with fair customer outcomes (as required by Consumer Duty) or the law as written should it be tested in court.

In discussions with HMRC, they have expressed the view that a difference of opinion by a financial institution withholding on customer payments is analogous to any other decision taxpayers need to make regarding a self-assessment submission. This ignores the fact that the financial institution is dealing with thousands (and in some cases millions) of customers.

Having a clear escalation process to ensure there is a mechanism to reach a proportionate and fair agreement in situations such as this would help ease uncertainty and improve customer outcomes.

- (c) If yes, how much money does your business spend and how many staff hours are devoted to meeting these requirements in order to challenge a regulator's decision? Please provide specific cost and time estimates if possible.
- (d) If yes, have you decided to leave a decision you disagreed with unchallenged due to the potential cost of the challenge?
- (e) If you answered yes to question (d), please give details of the decision and also of any time and cost estimates you used when deciding not to proceed with the challenge.

- (f) What changes would you make to appeal mechanisms to reduce the costs they impose on your business? This might, for example, include simpler administrative processes, greater use of regulatory tribunals, or greater consistency of approach in terms of appeal mechanisms between regulators.

Section Four: Opportunity Costs of Regulation

The first three sections of this business questionnaire ask for your views on how regulations affect your existing business operations. In this fourth set of questions, we focus on the impact of regulation on business' potential future activities. We want to hear how the UK's regulatory regime impacts on business decisions on the trialling and rolling out of new products and services, working practices, innovation, attracting investment, and international trade.

As in the previous sections of this business questionnaire, you should be as precise as possible in your answers, so we can identify exactly where within regulatory processes change would be most beneficial.

Question 17

- (a) Have you decided not to bring a product or service to market because of regulatory issues, such as uncertainty, delays, costs or other impacts?

Yes

- (b) If yes, please provide examples to explain why this is the case.

Simplified Advice

Whilst a variety of factors are considered when taking a product to market, we have heard from our members who have advice businesses that regulatory issues have contributed to a lack of uptake in simplified advice (narrow-scope, regulated, personalised advice). Firms have told us about uncertainty around how simplified advice fits within the broader advice and guidance landscape, unclear suitability requirements, and concerns about how the Financial Ombudsman Service might interpret the rules as major deterrents. For instance, COBS9/9A is unclear about the level of information advice firms should collect to support a personal recommendation. These factors create significant commercial risk for what is intended to be a low-margin, high-volume service, making firms reluctant to invest in new models.

Question 18

- (a) Have you decided not to adopt new technology or working practices in the UK because of regulatory obligations or uncertainty?

- (b) If yes, please provide examples to explain why this is the case.

Question 19

What improvements in the regulatory environment could better support you in bringing new products or services to market, or to adopt new technology or working practices?

Question 20

Are there any areas where you would like to see the government test new approaches to regulation (i.e. adoption of ‘fast-lanes’ for approvals), disapply regulation to allow innovation in a controlled environment (i.e. a sandbox) or create dedicated services within government support businesses in their interactions with regulators they need to engage with? Please provide examples.

Question 21

Please provide details of any international best practices in your sector in other major economies that the UK should consider adopting to ensure our regulatory system supports innovation and growth?

Section Five: Closing Questions about Respondents

Question 22: This business questionnaire is targeted primarily at businesses, however we appreciate that other stakeholders may also wish to respond. Therefore please select the most appropriate option that represents you, and respond according to your primary responsibilities.

- Other

Trade association

Question 23: If you are a business, which regulators do you engage with most frequently?

Our members engage most frequently with the Financial Conduct Authority (FCA), the Prudential Regulatory Authority (PRA), The Pensions Regulator (TPR), HMRC, HMT, and the Financial Reporting Council (FRC).

Question 24: If you are a business, how many employees do you have?

- Not Applicable – not a business

Question 25: If you are a business, please name the Sector(s) that you operate in using the UK Standard Industrial Classifications published by Companies House.⁵

Please provide your answer here.

Question 26: Please select where your headquarters are based using the categories under the statistical regions set out by the Office for National Statistics (ONS).⁶

- East Midlands
- East of England
- London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire and the Humber
- Scotland
- Northern Ireland
- Wales
- International

⁵ Companies House, <https://resources.companieshouse.gov.uk/sic/>

⁶ Office for National Statistics, [International geographies - Office for National Statistics](#)

Question 27:

a) What is your name, or the name of your organisation?

The Association of British Insurers (ABI)

b) What is your e-mail address (optional response)?

Please provide your answer here.

christopher.paskiewicz@abi.org.uk

charlie.bagley@abi.org.uk

Question 28: We usually publish a summary of all responses, but sometimes we are asked to publish the individual responses too. Would you be happy for your response to be published in full?

- Yes