Treasury Committee
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Mr Andrew Bailey
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Dear Andrew

Regulation of Funeral Plans
We spoke briefly during your evidence session with the Treasury Committee on 25 June about the government’s intention to give the FCA responsibility for regulating funeral plan providers. You mentioned that you agree with the Treasury’s proposals to extend the FCA perimeter to cover funeral plans and I said that I would write to you with some issues that the Committee would like to explore concerning the FCA’s early thinking on the approach to take. You touched on some issues that will need to be addressed when people are considering taking out a plan – you mentioned, for example, mis-selling, fees, customer awareness and people being approached by salesmen at particularly vulnerable times. The Committee would, of course, like to hear further from you about how the FCA intends to approach these issues, but there are also concerns about problems with plan providers that may only come to light after the plan holder has died.

• A funeral plan is unlike a typical financial product where an expected outcome is some form of cash payment. A person who takes out a funeral plan is essentially pre-paying for their own funeral. They expect that the funeral will be carried out in a way that has been set out and agreed in the course of signing up to the plan. People taking out funeral plans do so, not only to relieve the bereaved of the financial cost of arranging a funeral but also, in many cases, to relieve them of the emotional stress of making arrangements as well. If something goes wrong with the carrying out of a funeral plan, the bereaved will expect someone to provide the funeral that the plan-holder has already paid for. Given that you approve their budget, does the Financial Ombudsman’s Service (FOS) have the resources and the right experience to meet those expectations?

• Problems with a funeral plan provider may not be apparent until after the plan holder has died. This means that any complaints will need to be resolved very quickly if the plan holder is to get the funeral service that they contracted for. Should the FCA and the FOS have a special fast-track process for dealing with complaints about funeral plans?
• How quickly should the FCA be able to act against firms that may be handling funerals in an unsatisfactory way?

• Where a complaint arises after the plan holder has died, who would be eligible to make a complaint and what would they be able to seek redress for? Should the bereaved be entitled to compensation for their own time, trouble, distress and personal financial loss (or loss to the deceased’s estate) caused by the actions or failure of a funeral plan provider?

• What resource will the FCA commit to ensure that funeral plan providers are given proper supervision that adequately reflects the severe impact their actions or failure may have on people already in a particularly vulnerable state?

• I appreciate that the FCA is intending to consult on the regulation of funeral plan providers and I should be grateful if you would let me know your planned timetable.

Whole of Life/Guaranteed over 50s Life Insurance
In 2016 Citizen’s Advice, Scotland recommended to the Scottish government that the FCA should look at complaint trends relating to insurance products that offer funeral benefit options to see if further work was needed to protect consumer’s interests. Please could you describe the work the FCA has done and let me know the outcome?

Holiday insurance
Concerns have been brought to the Committee’s attention about claimant eligibility under travel insurance policies where the policy holder has fallen seriously ill whilst overseas and subsequently died. Relatives may be refused redress for the distress and personal financial loss caused to them by an insurer’s poor handling of a claim and failure to arrange appropriate medical care. Should the FOS be able to order redress in a wider range of circumstances and for a wider range of claimants to reflect that, in cases of death or serious illnesses, other people will need to deal with an insurer on the policy holder’s behalf and may suffer when an insurer fails to meet appropriate standards?

As with funeral plans, does the FCA have a fast-track process for dealing with complaints against such firms, given the life-and-death issues they may be covering?

I look forward to hearing from you. As is usual, I shall place this letter and a copy of your response in the public domain.

Yours sincerely,

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee