



FSA finds many small firms that employ compliance consultants are not acting on the advice they are given

FSA/PN/052/2007
17 April 2007

Small firms using compliance consultants should act on the advice they are given if it would help them comply with their regulatory requirements, the Financial Services Authority (FSA) said today.

The financial regulator carried out work in late 2006 and early 2007 to see if, and how, compliance consultants were used in small mortgage, general insurance and financial advice firms. The project also looked into whether the firms that did use consultants used them effectively.

In particular the FSA visited 22 small firms employing compliance consultants in early 2007 and found nearly half of them still had significant weaknesses in respect of their regulatory requirements. The work also showed over a third of these firms were not acting on recommendations from their consultants that would have improved their regulatory position.

Jonathan Fischel, head of investment in the small firms division of the FSA, said:

"Firms need to meet their regulatory responsibilities, and respond to any compliance failures that have already been identified by their consultants. Firms should always take appropriate action to be compliant. They cannot contract out their regulatory responsibilities and they should not assume they are fully compliant just because they employ consultants.

"We have produced various tools to help small firms comply with our rules, most of which are available to them free of charge. We believe small firms can meet their regulatory responsibilities without the need to use compliance consultants, but we do recognise that small firms can benefit from the use of compliance consultants."

The FSA has already worked with the failing firms to help them comply with its rules. The provision of compliance advice is not a regulated activity. The purpose of the FSA's work was not to assess compliance consultants.

Notes to editors

1. Information on [compliance consultants](#), including a [factsheet](#) [PDF] to help small firms select compliance consultants, is available on the FSA's website.
2. The FSA is committed to providing help to small firms and making the FSA easier to do business with. The FSA has already introduced targeted information and resources for small firms as part of its ongoing commitment to make it easier to do business with. These include small firms application packs, a single invoice for all fees, payments by instalments, e-learning packages, a more targeted website for [small firms](#), roadshows, surgeries and improvements at the Firm Contact Centre.
3. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and fighting financial crime.
4. The FSA aims to promote efficient, orderly and fair markets, help retail consumers achieve a fair

deal and improve its business capability and effectiveness.

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