



# Funeral Planning Authority (FPA)

## KEY POINTS

- Provides protection for customers of registered providers.
- Focus on the customer.
- Self regulation process
- Annual registration
- 17 registered companies: write 150,000 plans and pay out on about 60,000 per year.
- 90% to 95% of funeral plan providers

## What is the FPA?

The FPA exists to provide a degree of protection for customers of providers who are registered with the FPA. To gain that registration, providers have to pass independent scrutiny on how they work and how they protect customers' interests. The FPA is not a club; providers are not members; and it is certainly not a trade body acting in the interests of providers or funeral directors. Our focus is on the customer.

### Regulation

Funeral plans have been subject to regulation since 1st January 2002, when the Financial Services & Markets Act 2000 (Regulated Order 2001) came into operation. In essence, this says that funeral plans (a defined term) are excluded from regulation by the Financial Conduct Authority (FCA) if, in simple terms, the monies paid for the plan are used to purchase a whole of life insurance or held in trust. Consequently funeral plan providers who comply with those criteria are not subject to direct regulation by the FCA.

However, in 2002 the principal trade associations (the Funeral Planning Council and the NAPFP) recognised the value of self-regulation for the industry and accordingly established, after consultation with stakeholders, including HM Government, OFT and consumer bodies, the FPA.

The FPA is a company limited by guarantee and the two trade associations appoint the directors and the wholly independent Chairman. Fundamental to the model is that the self-regulation process is undertaken by a wholly independent Compliance Committee supported by the Chief Executive. Registered providers are required to comply with the requirements imposed by the FPA Rules and the Code of Practice. There is an annual process of re-registration, which includes (in the case of trust-based funds) the re-appraisal of their trust deed, their terms and conditions and the trust balance sheet and actuarial review; they also subject themselves to the FPA's complaints procedure through conciliation and arbitration provided by IDRS Ltd (a subsidiary of The Centre for Effective Dispute Resolution). All of this scrutiny is intended to reduce the prospect of adverse outcomes for customers.

### Funeral Planning Sector

Looking at the funeral planning sector in numbers, there are currently seventeen companies registered with the FPA which write, between them, about 150,000 funeral plans each year and 'pay out' on about 60,000; consequently the portfolio of 'undrawn' funeral plans continues to increase and currently stands at about 950,000 at the end of





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- Need to protect customers as market grows
- Need to question a non-registered provider

2014. The FPA estimates that this provides coverage over some 90 to 95% of funeral plan providers.

## Going forward

It is clear from the numbers that the funeral planning market now impacts significant numbers of customers and continues to grow. My concern is to ensure that customers are protected as the growth continues. A key worry, therefore, are funeral planning companies which do not subject themselves to any independent scrutiny. To give this some further context, during our annual registration process our Compliance Committee will consider as a minimum:

1. The trust deed or insurance arrangements to ensure these meet the requirements of the exemptions in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and the FPA Rules. In particular, a key component of this is to ensure there are independent trustees.
2. Accounts from the provider company and the trust reflecting appropriate accounting for the trust and the liabilities that may be incurred by the provider that lie outside the trust or the insurance policy as relevant. This includes considering actuarial valuations of the trust by a qualified actuary.
3. A statement of Investment Principles and an understanding of how these are implemented in practice for trust based plans. Details of the insurance policy and the insurance company for insurance based plans.
4. An understanding of the detailed economics of the business.
5. An understanding of the relationships with funeral directors and the degree to which commercial agreements are in place for them to carry out funerals. If such agreements are not in place across the book of plans the Committee will wish to understand how this is allowed for in any assessment of liabilities.

We believe that a similar degree of scrutiny is needed for customers of non-registered plan providers. Therefore, we recommend that as far as possible, prospective customers, or their advisers, seek to find out answers to these questions. Well run providers who have chosen not to register with the FPA will be able to answer the questions without too much difficulty.

## Non-registered providers

We also believe that funeral directors and other adviser firms should be asking questions when considering working with non-registered providers. When doing so, remember the old adage of, if it





## KEY POINTS

- Concerned about a plan provider? Contact us.

looks too good to be true, it probably is too good to be true. An approach which results in lowest price, highest commission and, largest pay-out may work but it may just be too good to be true.

Another area of concern is that we still see situations where funeral directors take money from customers allegedly for funeral plans and then the money never reaches a plan. This practice damages the industry as a whole. While there is no regulatory model that will absolutely eliminate fraudulent behaviour, we do of course want to ensure customers are not mistreated in such a way. I would therefore urge that if you have any sense of anyone operating in this manner that you let us know and we will raise the matter with the relevant authorities.

As someone relatively new to this market, I am encouraged by the overwhelming sense of people wanting to do the right thing. However, this makes it even more important that we remain vigilant about the minority who want to play by their own, or no rules—potentially to the customers' disadvantage. I ask you all for your support in helping ensure we keep the market functioning as well as possible and, in doing so, ensure that customers continue to be protected.

**Graeme McAusland, FPA Chief Executive**

*Written for SAIFinsight April 2015.*

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