

CASS reporting on CASS debt management firms

March 2017

WHAT IS A CASS DEBT MANAGEMENT FIRM?

A CASS debt management firm may take many different forms in practice – for example a commercial debt management firm, Citizens' Advice Bureau, housing association, not-for-profit body, charity etc and is a firm which meets the definition in the FCA Handbook as one which:

- Carries on the activities of *debt counselling* or *debt adjusting*, alone or together, with a view to an individual entering into a particular debt solution, or
- Carries on the activity of debt counselling where an associate carries on *debt adjusting*, with a view to an individual entering into a particular *debt solution*, or
- Carries on the activity of debt adjusting where an associate carries on debt counselling, with a view to an individual entering into a particular debt solution, or
- Is a not-for-profit debt advice body, i.e. a body which is a not-for-profit body with a limited permission to carry on *debt counselling* alone or together with either or both *debt adjusting* and providing *credit information services*, and agreeing to carry on a regulated activity so far as relevant to those activities, where no associate (other than a not-for-profit debt advice body) of the body carries on *debt adjusting* or *debt counselling* or *credit information services*.

WHAT CLIENT ASSETS RULES APPLY TO THE FIRM?

CASS 11 (the debt management client money chapter) applies to a CASS debt management firm if the firm receives or holds client money in respect of debt management activity (see CASS 11.1.1).

CASS 8 (the mandate rules) also apply when a firm has a mandate over client money in connection with its debt management activity (see CASS 8.1).

DOES AN AUDITOR HAVE TO PROVIDE A CASS REPORT ON A CASS DEBT MANAGEMENT FIRM?

Yes. SUP 3.1.2(5B) brings a CASS debt management firm within the scope of SUP 3.10 and 3.11.

Post CP16/17 (Quarterly consultation No.13), SUP 3.1.2(5B) was amended in November 2016 to clarify that debt management firms that are not permitted to hold client money are not within the scope of SUP 3.10 and SUP 3.11. Debt management firms that are permitted to hold client money, but claim not to, would remain within the scope of SUP 3.10 and SUP 11 as noted above.

SUP 3.10.4(1) and 3.10.4A(1) require a reasonable assurance report on client money, unless SUP 3.10.4(2) applies. SUP 3.10.4(2) and 3.10.4A(2) require a limited assurance report if the firm claims not to hold client money.

WHAT IF THE FIRM HAS ONLY AN INTERIM PERMISSION?

For any period for which the firm has only an interim permission (pending completion of the full FCA application process), CONC 12.1 sets out details of how certain rules are disapplied or modified. SUP 3 is disapplied and CASS rules do not apply in certain circumstances (see CONC 12.1.4)

WHAT ARE THE REPORTING IMPLICATIONS OF CASS 11.1.3 WHICH REQUIRES A CASS DEBT MANAGEMENT FIRM TO COMPLY WITH THE CLIENT MONEY RULES, EVEN IF IT HOLDS NO CLIENT MONEY, WHERE IT HELD CLIENT MONEY IN THE PREVIOUS CALENDAR YEAR OR IT PROJECTS TO HOLD CLIENT MONEY IN THE CURRENT CALENDAR YEAR?

The reporting requirements are determined by whether or not a firm held client money or custody assets during the relevant CASS reporting period. As SUP 3.10.4(2) and 3.10.4A(2) require a limited assurance report if the firm claims not to hold client money or custody assets in the period, it follows that the auditor is not required by the rules to provide a reasonable assurance report on a system which is not in operation. Hybrid reports covering both limited and reasonable assurance opinions on client money arise in situations when client money was held only for part of the CASS reporting period.

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