

Why the retention fee is changing- rising complaints and delayed transfer

The Secretary of State has approved raising the retention fee up to £695. The Council consulted on a fee rise and understands the impact it can have on business costs and retail prices. However we felt the increase was necessary to uphold consumer protection and to fund the transfer to the HPC.

The Council exists primarily to protect consumers. In 2007-8, consumers made twice as many complaints about registrants than they had in 2006-7. Furthermore, the complaints made contained a more serious case mix than in previous years. It is too early to tell whether this disturbing 100 per cent increase is the result of falling standards amongst some registrants or of consumers' growing faith in the Council's disciplinary procedures but such a surge deeply concerns us. I hope it serves as an alarm bell for employers and the professional bodies that they need to work more effectively with the regulator and consumer groups to protect not just consumers but the reputation of their industry.

The Council examines complaints, investigates them to an appropriate level and takes disciplinary action where necessary. When the Council agreed its budget for 2007-8, neither our members nor stakeholders foresaw such an increase in complaints. The number of complaints was double the number in 2006-7, increasing legal spending by half compared to the previous year. This created a funding gap that we must make up by increasing the fee this year before we are abolished in 2009. Had complaints not risen so dramatically then this year's fee would be £77 less.

The Council felt it was unfair that registrants who do not generate complaints should have to subsidise those who do. We looked at introducing a 'polluter pays' system to replace the flat retention fee. Unfortunately, having taken legal advice, we do not feel we have the power to introduce this scheme.

The second reason for the fee increase is the cost of transfer to the HPC. We have been told by the Government to prepare for to transfer in March 2009. However, the Government has not yet told us how the transfer and our close down will take place so we have to estimate the funding we will need to complete it. We aim to transfer in March 2009 but the Council will still have a significant amount of work to do after that date to close itself down. For example, it must lay final accounts before Parliament in July. If 2008-9 is our final retention fee, then it is also our final opportunity to gather the revenue we need to fund our work this year and then to close the Council down. The Department of Business, Enterprise and Regulatory Reform (BERR), funded our transfer costs for 2007-8 which has enabled us to lower this year's retention fee by £61. Were BERR able to commit to funding the transfer costs for 2008-9 and beyond then we would have been able to reduce the fee by a further £102.