



10 September 2025

## Final report by the Complaints Commissioner

### Complaint number 202500179

#### *The complaint*

1. On 1 May 2025, you submitted a complaint to my Office about the Financial Conduct Authority (FCA).

#### *Regulatory fee for the year 2024/25*

2. The FCA invoiced your Firm for the regulatory fee for the year 2024/5 (“Annual Fee”) but you are of the view that your firm should not have to pay the fees for the following reasons:
  - a. You requested the cancellation of the Firm’s authorisation in 2023, but the FCA failed to act on this request.
  - b. The FCA’s assertion—that the request had to be submitted through the FCA Connect system—was incorrect. The FCA ultimately cancelled the Firm’s authorisation in 2024 without you using the Connect system. Therefore, you argue that your written request in 2023 should have been sufficient.
  - c. The FCA could have used its powers in 2023 to cancel the firm’s authorisation instead of waiting until 2024, as the firm had not undertaken any regulatory activity in 2023 either. There was no need for the FCA to wait another year which resulted in the firm incurring an additional Annual Fee.

Outcome: I do not uphold the complaint for the reasons I give below.

However, I find that the FCA repeatedly misunderstood your complaint about its failure to act on your August 2023 correspondence, addressed only 2024 correspondence despite your corrections, and as a result did not consider the substance of your complaint. As such, I have recommended that it pay you £250 compensation for distress and inconvenience

### *Background*

3. You, the sole Director of a regulated firm, say you sent emails to the FCA on 8 August 2023, asking the FCA to cancel your authorisation. In response to this the FCA provided guidance to you on 9 August 2023, outlining the steps required to cancel your authorisation. You emailed the FCA again on 10 August 2023, asking the FCA to cancel your authorisation because you would not be in a position to afford to pay the Annual Fee the following year.
4. You confirmed in your response to my Preliminary Report that the FCA did respond to this email, only to advise you to submit a complaint to its Complaints Team about the fees you were charged. However, you did not submit a complaint, nor did you follow the instructions provided on 9 August 2023. You did not contact the FCA again about the cancellation of authorisation after 10 August 2023—until the FCA reached out to the Firm in 2024 regarding the matter.
5. In June 2024, the FCA identified that the Firm had not used its authorisation for over 12 months. Consequently, on 18 June 2024, the FCA informed the Firm that it intended to use its powers to cancel its authorisation under the “Use It or Lose It” principle. In such cases, a firm must either apply for cancellation or submit returns to show it has carried out regulated activities in the prior 12 months. If neither action is taken, the FCA may begin the cancellation process through its Enforcement Team, as it did here.
6. Following the FCA’s email of 18 June 2024, you emailed the FCA on 18, 19, and 20 June 2024, stating you wished the Firm to remain authorised. Although several emails were exchanged, you did not supply evidence of regulated activity, nor did you apply for cancellation.

7. On 13 August 2024, the FCA issued an invoice for annual fees for the 2024/25 financial year. You disputed the fees the same day, arguing that the FCA had failed to act on your August 2023 request and that you should not be liable for these annual fees.
8. The FCA continued the enforcement process and cancelled the firm's authorisation on 13 September 2024.
9. The FCA also initiated steps to recover the outstanding fees for 2024/25, maintaining that the Firm remained liable for payment. This led to your complaint to the FCA (the FCA Complaint) and subsequent referral to my Office.
10. The FCA set out in its Decision Letter dated 17 April 2025 that it did not uphold the complaint. The Decision Letter explained that, in the FCA's view, the annual fee was correctly issued, as the Firm remained authorised on 1 April 2024 and did not follow the correct cancellation process. Under FCA rules, authorised firms are included in the annual fee calculation if your authorisation is not cancelled before 31 March of any given year, and refunds are not offered for cancellation applications made after this date to maintain funding stability.
11. You made it clear to the FCA that your complaint was that you asked the FCA to cancel your authorisation in your emails of August 2023, but the FCA failed to act on this request, and it was on the basis of these emails that the Annual Fee for 2024/25 should not have been issued. The FCA failed to address this point, even after you reasserted the complaint both in response to the FCA's Scoping Letter dated 25 March 2025 and in response to the Decision Letter of 17 April 2025.
12. I find that the FCA failed to investigate the complaint about the cancellation request in August 2023 and did not respond adequately to your 22 April 2025 follow-up. These were serious procedural shortcomings, which I view critically, and key elements of the complaint remain unaddressed. I **recommend** that the FCA reiterates to its Complaints Team the importance of understanding the core of complaints and considers what may have been done differently on this case.
13. In such circumstances, it is the usual practice for me to refer the complaint back to the FCA to review it in the first instance. However, on this occasion, I have sufficient information available to me to be able to carry out an investigation

myself and it is my view that this is the best course of action in the circumstances.

*Preliminary points*

14. You have raised concerns about the distress caused by the FCA's ongoing contact regarding outstanding fees, despite the fact the complaint had been referred to my Office. However, I note that a new complaint had been lodged with the FCA about this, which is currently being investigated. You may refer the FCA's response to this complaint to my Office as well, should you be dissatisfied with it. Therefore, I shall not comment on this complaint point further in this report.

*My analysis*

15. You argue that you should not have to pay the Annual Fee due to the fact that:
  - a. You requested the cancellation of the Firm's authorisation in 2023, but the FCA failed to act on this request.
  - b. The FCA's assertion—that the request had to be submitted through the FCA Connect system—was incorrect. The FCA ultimately cancelled the Firm's authorisation in 2024 without you using the Connect system. Therefore, you argue that your written request in 2023 should have been sufficient.
  - c. The FCA could have used its powers in 2023 to cancel the firm's authorisation instead of waiting until 2024, as the firm had not undertaken any regulatory activity in 2023 either. There was no need for the FCA to wait another year which resulted in the firm incurring an additional Annual Fee.
16. For the reasons above, you maintain that the Firm should not be liable to pay the Annual Fee for the 2024/25 financial year. You also explained that you would find it difficult to pay the fee in any event due to financial hardship.
17. I accept that you expressed a wish to cancel the Firm's authorisation in August 2023. You contacted the FCA about this matter on 8 August 2023 and in response to this the FCA provided guidance to you on 9 August 2023, outlining the steps required to cancel your authorisation. You emailed the FCA again on

10 August 2023, asking the FCA to cancel your firm's authorisation. The FCA responded to this email, advising you to either pay the outstanding fees or submit a complaint, and although it would have been helpful if it had explained again that you had to apply through the system to have your permissions cancelled, and that an email request would not be sufficient, in my view, it had already explained clearly the correct procedure for cancelling the Firm's authorisation. In any case, it is the Firm's responsibility to be aware of its regulatory obligations, including the correct procedure for cancelling its authorisation, regardless of whether the FCA reiterates this. Under the FCA's regulatory framework, firms are expected to be ready, willing, and organised to meet your obligations on an ongoing basis. This includes understanding how regulatory fees are levied and taking timely steps to cancel authorisation in order to avoid incurring charges for the following fee year. Asking a member of the finance team by email to cancel the firm's permissions is not sufficient.

18. You are correct that the FCA did cancel the firm's authorisation in 2024 without the Firm having to use the Connect System, however, this was due to the FCA taking enforcement action against the Firm.
19. There is a material difference between (a) a firm voluntarily requesting the cancellation of its authorisation and (b) the FCA taking enforcement action to cancel a firm's permissions. In the former case, the FCA requires firms to use its Connect system, as part of a standardised process in accordance with its rules. By contrast, when the FCA initiates cancellation, the process is regulator-led through regulatory action against the firm and does not require the firm to engage with the Connect system in the same way. The two scenarios involve different regulatory pathways and should not be treated as equivalent for procedural purposes.
20. The FCA applied the "Use It or Lose It" principle in 2024 in dealing you're your firm. The FCA applies this principle to ensure that firms with regulatory permissions are actively carrying out regulated activities. While the FCA is not legally compelled to cancel a firm's authorisation solely because no activity has been reported for 12 months, it has the power to do so and may exercise that discretion where appropriate, particularly where the lack of activity poses a risk to consumers or the integrity of the regulatory system. Therefore, although the

FCA was entitled to exercise its discretion under the principle in 2023, it was not obligated to do so.

21. While I have expressed criticism of the way the FCA handled aspects of the complaint and have made recommendations in that regard, this is distinct from the substance of the complaint itself.
22. You have not provided evidence in response to my Preliminary Report that you did follow the correct procedures for cancellation after 10 August 2023, therefore I do not uphold your complaint. You did not cancel your permissions through the correct procedure and the FCA was right to invoice you for the fees as it did, and in my view you should pay the Annual Fee.
23. You stated you are experiencing financial difficulties in paying the Annual Fee. As previously advised, I suggest you approach the FCA to ascertain what options, if any, are available to you in such circumstances.
24. However, as I noted, you had complained about the FCA not acting on your correspondence from August 2023, but in the Scoping Letter the FCA stated it understood your complaint to concern correspondence from 2024. You corrected this misunderstanding in your response to the Scoping Letter. Despite this, the FCA nevertheless issued a Decision Letter in relation to the 2024 correspondence. You then attempted to correct the misunderstanding one final time in your response to the Decision Letter, but the FCA did not reply.
25. As a result, the FCA failed to consider the August 2023 correspondence, the substance of your complaint, at all. In light of these complaint-handling failures, and the resulting distress and inconvenience caused to you, I now recommend that the FCA offer you £250 compensation by way of an ex-gratia payment.

*The Complaints Commissioner*

Complaints Commissioner

10 September 2025