

RICS Practice Alert to DPB Licensed Firms

Issued by email August 2024

This Practice Alert is issued to all RICS-regulated firms on the Designated Professional Body (DPB) scheme. Its purpose is to notify firms of upcoming changes to the [DPB Rules](#) and [Guidance](#) documents that have been approved by the Financial Conduct Authority (FCA). The new DPB Rules and Guidance that are available in this Practice Alert will be updated on the RICS website on 1 October 2024, when the new DPB Rules come into effect. This follows Practice Alerts issued by RICS in [February 2024](#) and [May 2024](#).

The amendments will introduce new requirements for firms undertaking insurance distribution for residential multi-occupancy buildings. Firms will be required to provide additional information about remuneration that they receive when carrying out general insurance distribution activities in this context to their clients and residential leaseholders. Firms will need to ensure that their communications are clear, and that their remuneration practices do not conflict with leaseholders' interests.

The changes will only apply to multi-occupancy building insurance policies for residential leaseholders as the updated definition of 'leaseholder' captures natural persons who are acting outside of their trade or profession. The updated Rules do not include changes where firms are dealing with commercial entities (for example commercial leaseholders).

DPB Licenced Firms should familiarise themselves with the changes as soon as possible and ensure that their general insurance distribution activities are compliant with the new requirements.

Why are the changes being made?

RICS is making changes to the DPB Rules and guidance to ensure they are consistent with the [FCA rules](#). The FCA has made changes to its rules with effect from 31 December 2023 to ensure that:

- there is increased transparency about multi-occupancy building insurance for residential leaseholders to make it easier for them to understand and challenge insurance costs passed on to them, and

- firms ensure their products are consistent with the needs and interests of leaseholders and other policy stakeholders, are priced in a way that provides fair value, and that remuneration practices do not lead to poor outcomes.

The changes have been implemented via amendments to the FCA's [SYSC](#), [ICOBS](#) and [PROD](#) handbooks.

What the changes mean for affected firms

The amendments will introduce the following requirements.

- DPB Licenced Firms must distinguish remuneration connected to multi-occupancy buildings insurance contracts from other remuneration.
- DPB Licenced Firms must promptly provide additional information relating to such remuneration to clients and tell clients to pass such information to any leaseholder.
- If a DPB Licenced Firm becomes aware that a client has not passed such information to any leaseholder, the DPB Licenced Firm must itself do so if it holds the necessary contact information.
- DPB Licenced Firms should follow the best practice set out in the DPB Rules when receiving and responding to queries from clients and leaseholders.
- DPB Licenced Firms must act honestly, fairly and professionally in the best interests of clients and leaseholders

The updated DPB Rules and Guidance documents are in the email that was sent to DPB Licenced Firms with this Practice Alert. The key changes can be found in the following sections.

DPB Rules:

- Definitions
- Section 2.3
- Section 2.6
- Section 7

DPB Guidance:

- Paragraph 19 – Providing insurance distribution activities in Gibraltar
- Paragraph 51 – Consumer duty

- Appendix F – Section 4
- Appendix F – Section 5
- Appendix H – Consumer duty
- Appendix I – New appendix

RICS is issuing this Practice Alert now so that DPB Licenced Firms have sufficient time and can familiarise themselves with the changes and ensure that their general insurance distribution activities are compliant with the new requirements. **The new DPB Rules will come into effect on 1 October 2024.**

For queries, please contact standards@rics.org