

# Treasury Committee

## Oral evidence: Sexism in the City, HC 240

Wednesday 17 January 2024

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Members present: Harriett Baldwin (Chair); Mr John Baron; Dr Thérèse Coffey; Dame Angela Eagle; Dame Siobhain McDonagh; Anne Marie Morris.

Women and Equalities Committee member present: Caroline Nokes.

Questions 182 - 283

### Witnesses

**I:** Nikhil Rathi, Chief Executive, Financial Conduct Authority; Sarah Pritchard, Executive Director, Markets and International, Financial Conduct Authority; Sam Woods, Chief Executive, Prudential Regulation Authority; Vicky Saporta, Executive Director, Prudential Policy, Prudential Regulation Authority.

**II:** Maria Caulfield MP, Parliamentary Under-Secretary of State (Minister for Women); Baroness Vere of Norbiton, Parliamentary Secretary, HM Treasury.

### Examination of witnesses

Witnesses: Nikhil Rathi, Sarah Pritchard, Sam Woods and Vicky Saporta.

Q182 **Chair:** Welcome to this Treasury Committee evidence session in our inquiry into sexism in the City. We are not expecting any votes during this session, but it is not impossible. We are looking forward to hearing from two panels this afternoon and the first one is our panel of regulators.

I just want to let people know that this morning we have published a summary of some of the anonymised roundtable evidence that we heard as part of this inquiry earlier this year. We want to thank everyone who engaged with us in giving us that anonymous evidence and it is being formally published today.

With that introduction, I would like to ask our witnesses to introduce themselves, starting with yourself, Nikhil.

**Nikhil Rathi:** Good afternoon. My name is Nikhil Rathi, chief executive of the Financial Conduct Authority.



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**Sarah Pritchard:** I am Sarah Pritchard, executive director for markets and international at the Financial Conduct Authority.

**Sam Woods:** I am Sam Woods, chief executive of the Prudential Regulation Authority.

**Vicky Saporta:** I am Vicky Saporta, executive director of prudential policy at the Prudential Regulation Authority.

Q183 **Chair:** Thank you. Both your organisations simultaneously published consultations on the issues of diversity and inclusion in the financial services sector back in September, and those consultations have now closed. I think you will find that this Committee agrees with the premise behind those consultations: that more diverse and inclusive organisations are stronger and more robust, and therefore, as regulators, you should be looking at and interested in that subject.

That is a fair premise, but really my first question is why you think it has taken regulators having to get involved in something that, arguably, successful private sector businesses ought to have realised long ago was in the interests of their organisations. Why are you having to do this, do you think?

**Nikhil Rathi:** First of all, can I say how much we welcome the inquiry that this Committee is undertaking? We are dealing with very sensitive issues here. These are issues across society and, while we as regulators are proposing some measures, we recognise that our engagement with this Committee through this accountability framework is going to be an important part of how we consider the way forward.

The question you pose is a challenging one. It is important to acknowledge there has been progress. The women in finance charter, for example, has prompted progress in certain sectors, but it is widely acknowledged that that has not been sufficient. We felt, having looked at the issues, having looked at the relevance to our objectives—which is something we have laid out in the consultation—that it was appropriate for us to come forward with some measures for discussion and debate.

From the FCA's perspective, there are four dimensions to this. The first is encouraging healthier cultures. Cultures where sexual harassment is taking place unchallenged in the workplace are not cultures conducive to sound risk management and sound organisation of financial services business, which is why there is a specific element of our proposals around tackling what we call non-financial misconduct. We recognise that this is a societal issue, not just a financial services issue, but we believe there are some specific issues in parts of the financial services industry.

Secondly, there is a link to risk management. Reduced diversity can lead to group-think, which has some potential consequences for risk management.



We now have a secondary competitiveness objective. You made the point around the importance of talent for good business. It is clear that talent is not progressing as one might expect, whether that is female talent, minority ethnic talent or indeed other characteristics. With that competitiveness objective in mind, we believe the work we are doing is relevant.

We have a consumer protection mandate and, understanding diverse consumer needs, we put the proposition out there that stronger diversity in an organisation will support that objective, too.

**Q184 Chair:** If I can turn to Sam and put a similar question to you, I can see why you could see that perhaps, because of a lack of diversity of thought around risk management issues, you could have structural failure of firms in this sector. You are not trying to run a no-failure regime, though, are you? Why would you not let the market sort this out and have the companies that do run better, more diverse and more challenging businesses succeed while the ones that do not do any of this get into difficulties? You should just let them go, should you not, in a healthy, functioning free market?

**Sam Woods:** You are quite right that we have strenuously tried to avoid creating the impression that we want to run a zero-failure regime, but the question is where we can take steps that reasonably advance the public interest using the various tools we have at our disposal. I should just say in that context, by the way, that I did have a moment to review what you put out this morning and it is of course very disturbing to see that those sorts of things are still occurring in the sector that we all work in.

Our primary interest—and maybe I could bring in Vicky—is around that link to group-think. Vicky might want to sketch that out for you. We also talk in the consultation paper a bit about the strength of the evidence on that point.

**Vicky Saporta:** It is a good question and that is why we started this whole process with a discussion paper, where we asked the broader public and the industry whether some form of intervention by us would be useful to bring up standards. We received 184 responses and most of them were very supportive of our role.

What can our role do? As you said, Harriett, there is evidence—although it is not absolutely 100% conclusive—that demographic diversity and diversity of lived experience can lead to better decision making. Of course, better decision making is very much in the interest of the PRA, because failures of decision making, governance and culture have been at the heart of some material failures that impact on our objectives.

The evidence is not conclusive, plus not everyone in the industry is making the same progress. There was a lot of support, subject to proportionality, for data initiatives, so that we could ultimately provide



some benchmarking of what is happening across the industry and, through the collection of this data, learn what the precise link is between demographic diversity, diversity of experience and what is called in the jargon cognitive diversity, which is the thing we really care about in decision making.

Q185 **Chair:** To go back to my original question, would you not think that the well-run organisations in this sector, which you regulate, would already be looking at this kind of thing? Sarah, you must follow this in detail.

**Sarah Pritchard:** Nikhil has already explained the clear links to our statutory objectives in making sure that markets work well, but I did want to come in on that point. The industry is very much asking us to lean in for some regulatory intervention in this space and in the two areas that you see set out in the consultation.

The first is around non-financial misconduct and being very clear that non-financial misconduct is misconduct. Our proposals, through the consultation, seek to strengthen the ability of firms to take action when they are certifying people as fit and proper, and also seek to draw a clearer link between our objectives and our ability to prohibit in the most serious of cases. That is an area where industry and others have asked us to step in and to be much clearer in the rulebook and the guidance about how firms can apply that in the workplace.

The second key element of the proposals that we set out is very much around strategies, targets and data reporting targeted at the largest firms only. Again, we have had some mixed feedback through the consultation. We are analysing the responses at present.

**Chair:** We will get to questions on that.

**Sarah Pritchard:** In that context, why can the industry not do it without the regulator? What people have said to us is, "We need consistency of data, so you can compare and benchmark across industry." In circumstances where there is not that coherence or consistency, it can be difficult to compare.

That is very much us, as a regulator, seeking to occupy the space where it is relevant, in terms of consistent data standards, so that members of the public can hold firms to account, so that we can, and so that boards can challenge their own firms on the progress that they are making. It will also give firms the ability themselves to target the areas of greatest under-representation.

Q186 **Chair:** Nikhil and Sam, what sanctions will you impose on firms that do not go with the spirit and the letter of what you are proposing, when you have decided the outcome of the consultation?

**Nikhil Rathi:** I will bring Sarah in in a moment, because she will be leading the supervision of this. There are different proposals here. The proposals that Sarah described around data and strategy are subject to



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consultation. I should make it clear that we are not proposing to enforce targets. We are not proposing to enforce what is effectively social policy, which ultimately Parliament will need to decide on.

These are around transparency and around us being able to provide consistent data, aggregate data, outlier data, by which firms can evaluate themselves, but which can be used in this kind of forum as well to understand how progress is being made. Where there will be the potential for clearer sanctions—this is always going to be subject to, in the most contentious cases, courts as well—is in the area of non-financial misconduct. Sarah may wish to say a bit more about that.

**Sarah Pritchard:** What we will be seeking to do through the proposals as set out is have better visibility of instances of non-financial misconduct in the workplace. Clearly, if we see a firm with significant levels of reporting, that will give us an ability to go in and take a look, in terms of our supervisory action with that firm, at the reasons why.

It is important to say that high volumes of notifications for non-financial misconduct actually might be a sign of a healthy culture, and we might want to look as much at those firms that are not reporting instances as those that are, where we might expect to see instances being reported. The data and the information, through improved supervisory notifications to us, will give us an ability to target firms where we want to do more detailed follow-up action.

In relation to targets and the proposals against large firms, again, from a supervisory perspective, it will give us an ability to identify outliers. One of the key sets of proposals is that the board has ownership of the strategies and the review of progress against that, and we would expect to see, through good corporate governance and good culture, a board taking that seriously. If we do not, again, we would seek to identify those supervisory outliers.

There is also an element here about sharing best practice. As you say, there are leaders and laggards within financial services. You see that through the women in finance data. You see really great progress being made in some areas of financial services, and less in others. There is an ability here for us to share that best practice through the improved data and information that we will have.

Q187 **Chair:** Sam, what sanctions would you use?

**Sam Woods:** You made an important aside in your earlier question, Chair. We have just received all these responses to the consultation. We are in a thinking mode at the moment, deciding the way forward. I would draw the same distinction that Nikhil and Sarah just drew between non-financial misconduct, where you are straight into a sanctions space—and that might more regularly engage with the FCA's objectives, though sometimes the PRA's—and the other parts of the policy if we go ahead and make it in the shape in which we have consulted.



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You may disagree with this view, but it is quite likely that, if we did go ahead and make a policy of that shape, in the initial days of implementation we would be much more in a supervisory mode than an enforcement mode. The reason for that is that the objective of policy is to try to advance our objectives by galvanising a better picture across the industry as a whole. It is not likely that, leaving aside non-financial misconduct, the very first path to that would be through enforcement, because then you may drive this down a tick-box, compliance route, which we want to avoid.

**Q188 Chair:** You are linking it to the senior managers regime. We often hear feedback that it can be quite a slow process to get people on to that regime. Are you concerned that this will slow your review either of the overall senior managers regime or of the individuals who get approved into that regime?

**Sam Woods:** No, I am not concerned about that. First of all, both Nikhil's team at the FCA and our team at the PRA are back on top of the backlog. We are now doing 99% of the senior manager approvals within the three-month window. But you are right. Speed is not everything, but it is important and we had clearly got behind. We are, though, proposing some possible amendments to the prescribed responsibilities for firms that have them for culture, and for other firms as well. Maybe I can bring in Vicky on that, because it is relevant.

**Vicky Saporta:** As you know, there are prescribed responsibilities under the senior managers regime and there is a prescribed responsibility, which applies to a large number of firms—yet not all, because of proportionality—of culture. It is usually, but not always, the chair of the board and the CEO who have the two assigned responsibilities to be responsible for the board culture and firm-wide culture.

What we are proposing in the CP that was published in September is that, with that prescribed responsibility, you also wrap in diversity and inclusion, because we see, as we have just discussed, a link to culture. Every other firm that is not subject to the senior managers regime—because it applies, in terms of banks and building societies, only to firms that have assets above £250 million—will also have to assign another senior manager responsible for diversity and inclusion. That is how individual accountability is proposed to be taken into account.

**Q189 Chair:** And it will not slow things down.

**Vicky Saporta:** In the case of the senior managers regime, no, because there is already a prescribed culture responsibility. We are saying that person, which is documented, is already assigned. In the case of the smaller firms, one of the senior managers will need to have that responsibility, but it is not going to be an approval process.

**Sam Woods:** If I might supplement that briefly—because maybe this is what you were getting at, Chair—we have also made a proposal to clarify,



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in our statement about how we look at senior manager approvals, that bullying, harassment and discrimination, and patterns of behaviour involving those, are relevant. The reason I do not think this will slow it down is that those things are already relevant. We are just clarifying that they are, so it will not slow things down.

Q190 **Chair:** Both consultations spell out the cost that you think this will impose on firms. Do you want to have a stab at what you think the financial benefits will be?

**Nikhil Rathi:** There are a number of dimensions to that. We see that healthier firm cultures will lead to better management overall in the financial services industry. Picking out in particular the points that Sam just made around bullying and sexual harassment, tackling those more decisively will lead to stronger and better organisations. We are testing this. This is very much out for consultation.

We are open to evidence from the industry on the points we are making around group-think and risk management, but we generally get the message from industry that it sees the commercial benefits for its organisations. Not many have given us quantified evidence, but certainly the statements that we get back are that they see the commercial benefits.

I would make a final general point, going back to competitiveness. We know one of the single biggest drivers of a successful, competitive financial services industry in the UK is access to skills and talent from the widest possible pools. That continued access being sustained in the medium term will, we believe, derive competitive benefits for the industry as well.

To give you one example—and I know you have had this evidence—we have the second largest investment management industry in the world here in the United Kingdom. Only 12% of investment managers, on some survey measures, are women. There are real issues with progression. All of us in leadership positions—whether it is us as the regulators or here in this Committee—look at that and we think, “Is that really the sign of a healthy, medium-term-competitive industry?” We would all question if there is not some step there to try to improve that.

Q191 **Chair:** What I am hearing, though, is that it is hard to quantify what the benefits would be, in the way that it is possible to quantify the costs. Would you agree with that, Sam?

**Sam Woods:** Yes, it is hard to quantify in a credible way. That is sometimes a feature of our work generally and it is particularly true in this case. There is also one part of the costs we have not attempted to quantify—or a potential cost, I should say—and I think it is worth mentioning.

Looking through the evidence on this point, we find the evidence that greater diversity of thought and experience improves decision making, in



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the end, more convincing than not, but there is also some separate evidence that more diverse teams may have more conflict within them. That may have a cost, but it is not sensible to try to quantify that either.

**Q192 Chair:** I am going to use the opportunity of having your two organisations here in front of us to ask about debanking, which is mentioned in the PRA consultation. Some cases of debanking have been linked in some commentary to the increasing prevalence of diversity and inclusion. We are also doing an inquiry on access to finance for small and medium-sized firms, and we do hear a lot of evidence of their randomly being debanked. Can I get you both on the record saying that you would not expect any increase in the unacceptable practice of debanking of perfectly legal businesses inside the United Kingdom's economy as a result of these initiatives?

**Sam Woods:** Yes. I do not expect that to be the result.

**Chair:** You agree that it would be completely unacceptable for debanking to be taking place on this dimension.

**Sam Woods:** Yes. There are decisions for firms about who they bank, but debanking people for lawfully held political views is completely wrong.

**Chair:** Nikhil, I will give you a chance to state the same thing.

**Nikhil Rathi:** Absolutely, as is stated in our consultation document and I said at the Committee in December, debanking for individuals' lawfully held political views is not consistent with the law.

**Q193 Dame Angela Eagle:** I want to talk about non-financial misconduct and how what you are developing might help. Our predecessor Committee did a report in 2018 on this issue and, five years later, the evidence we have seen shows that there has not really been any change in the situation in the financial services sector.

There have been attempts to change things, but the overall picture seems to be depressingly the same. While gathering data is important, we as a Committee are trying to come up with a report with some things in it that will make a difference, so that any successor Committee of ours does not have to look at this situation again in another five years, have a look around and realise it is still no better.

There is a frustration in the evidence that we have had. There has been a lot of buck passing, an awful lot of box ticking and no actual improvement in the output, which is making a workplace that is safe for women to be in across the financial services sector. We know some areas are worse than others—private equity, hedge funds, small firms—yet what you are suggesting will not apply in the places where there may be the worst kind of abuses.

How, for example, on non-financial misconduct, will your consultation proposals root out the bad apples once and for all? We came across compelling evidence that everybody knows who these people are, but





nobody actually reports them, because it is not practical for the victims and, if they are reported via HR or within companies, they are protected.

**Nikhil Rathi:** We see this evidence coming to us also, as leaders of the FCA, and it is deeply troubling. We spend a lot of time thinking through and talking about what further steps we can take. On your point around small firms, the data proposals do not apply to the small firms, and there is the debate as to what is proportionate for a small firm versus a large firm. Our proposals around non-financial misconduct and the changes to the rulebook do apply to firms of all sizes. Sarah may wish to expand on that.

**Sarah Pritchard:** I wanted to say that, in terms of non-financial misconduct, this is not about a tick-box approach. I understand the Committee's frustration in terms of progress since 2018. Our rules on non-financial misconduct apply across the board, to all firms that we regulate. We are very clearly setting out and giving firms the ability themselves to know that it is within our expectations, when they—as well as us—are assessing people as fit and proper, to say that non-financial misconduct is misconduct.

There is a separate aspect, which I know this Committee has touched on, of rolling bad apples—people who will potentially move from role to role. Our proposals seek to prevent that by making it clear that any information that is relevant to fit and proper ought to be disclosed in regulatory references. So for anybody moving into a new role for the next six years that requires senior manager approval or a fit and proper assessment, you would expect that to be contained.

We are setting out very clearly that bullying, harassment, violent sexual offences and discriminatory behaviour, if upheld by a court or tribunal, are relevant to fit and proper, and we hope that that strengthens that overall framework.

Q194 **Dame Angela Eagle:** But a lot of this happens before the more serious place that might flag it up. You have to have a victim who is reconciled to losing her career and who knows that she will never be able to work in financial services again if she goes to HR or an employment tribunal and takes somebody who is much more powerful than she is, and probably very much richer, to a tribunal, a public place. What happens is that they get bought off, eased out and given a pay-off, and they leave. All of that, lovely, good and desirable though it is, will not ever come into play, because the issues will never get as far as an employment tribunal.

**Sarah Pritchard:** There are two points I would make in response to that. I applaud the bravery of women who do report misconduct, because I know it can be very difficult to do so in the workplace. It is really important that I say here, before this Committee, that we will take any allegations reported to us through our whistleblowing processes very seriously. We will work with people who report to us to maintain their anonymity, if they wish to do so, but some offences of this nature clearly



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become difficult to address when individuals want to retain their anonymity.

We will do that and we will work with any individual who reports to us to direct them to relevant law enforcement authorities, if it is a matter of criminal conduct and the individual wishes to report it. My first encouragement is that it is important that we, as a regulator, look at our firms to ask, "Is there confidence in that whistleblowing system?" to start with. Secondly, we will have improved reporting to us of any instances where an individual has been dismissed or disciplinary action has taken place in relation to non-financial misconduct or a breach of our conduct rules.

One of the things I am newly able to confirm before this Committee today is that we are just commencing a survey of wholesale banks and wholesale insurers, to look at numbers and statistics of non-financial misconduct cases in that part of financial services, methods of detection and methods of resolution. We are quite deliberately going out with that supervisory work programme right now, so that we can use what it tells us to take stock and to share best practice at the end of this piece of work, but also, crucially, to inform our supervisory programme when the new ruleset comes into place.

**Q195 Dame Angela Eagle:** I know the difficulties of this, but do you think it would be useful to have anonymous reporting? You have talked about whistleblowers. We very much got the sense in the roundtables we did that people know who the perpetrators are, but they are too frightened to do anything about it. They know the consequences for their own careers if they do.

What about anonymous reporting lines? It would be quite clear at the other end of an anonymous reporting line if there was a bad apple—let us put it that way—who was a serial offender. It would be clear. I understand about anonymous reporting and that things have to be corroborated, but surely at least that would give some kind of view, from a regulator's point of view, where the focus should be.

There is impunity, you see. This is the issue. This behaviour goes on, it gets repeated and there is impunity because the perpetrators know that they are too powerful to be brought to book. That is the current situation, it seems to me. How can we break down impunity? I am looking for very practical suggestions that will work, which this Committee can consider for its report so that, in five years, when our successor Committee looks at this again, some progress will have been made.

**Sarah Pritchard:** On the anonymity point, our whistleblowing line will seek to maintain the anonymity of any individual who reports to us. As I said, we will take that really seriously. I would encourage people to report if they have any matters of concern. We might not be the relevant law enforcement body, if it is a criminal offence, but we will take that into account. If there is a pattern there, that will give us an ability to have a



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look on a broader supervisory basis, in relation to that firm's systems and controls.

Since the previous evidence session back in the summer, we have seen a steady increase in the number of reports coming through to our whistleblowing line.

Q196 **Dame Angela Eagle:** What do you do with them?

**Sarah Pritchard:** We follow them all up. I am not at liberty to say what we do in every individual case.

**Dame Angela Eagle:** Give us a flavour.

**Sarah Pritchard:** In some situations, we will work with the individual to see whether they are prepared to report it to criminal law enforcement authorities. In other cases, we will take a look to see whether the firm has dealt with that complaint in the relevant way. If there is a complaint there in relation to failure of the whistleblowing process within a firm, we will work to see if we can look at how the whistleblowing system has operated.

Our new set of proposals, when they do come into force, will give us a much stronger ability to look at taking action in the most serious cases to prohibit people where they are not fit and proper. I know that in our written evidence we provided examples of one particular case in relation to child sexual grooming, where an upper tribunal found that that by itself was not sufficient for us to prohibit an individual. Some of the proposals in our consultation seek to strengthen that.

Q197 **Dame Angela Eagle:** That is astonishing. I was just going to come in, Nikhil, and ask you—partially because of what you said when you last appeared before us to some questions of mine—what legislative change is needed to ensure those proven to abuse their position are excluded from being able to operate in financial services. We have to get to the stage where there is no impunity and potential perpetrators of this kind of behaviour, at all its levels—from bullying and harassment all the way through to the much more serious sexual crimes—know that their career is at stake, rather than having the confidence that it is the career of their victims that is going to suffer.

**Nikhil Rathi:** We are not calling for specific legislative change, but we have highlighted previously in evidence to the Committee the fact that there is not a prescribed list of very serious offences where, if you are convicted of those offences, you are automatically prohibited from a regulated sector. It might not just be regulated financial services; there are other regulated sectors too. That means that we have to, in each case, demonstrate that the conviction or the conduct is sufficiently relevant to the financial services role that they are performing that it merits us using our prohibition powers. That was the basis of the upper tribunal case, which we were disappointed by. We do not treat that as binding precedent, but it clearly is a relevant judgment.



To your earlier question to Sarah, is there a single, simple answer? We are really struggling to say that there is a single, simple answer that is going to address—

Q198 **Dame Angela Eagle:** No, I do not want a single, simple answer. I do not expect there to be a single, simple answer, but a suite of possibilities might be helpful to us at this stage.

**Nikhil Rathi:** The challenge on the anonymity point, as Sarah alluded to, is that, if we are going to use our prohibition power, we are ending the livelihood of an individual. That individual will say they have the right to know the evidence upon which we are basing our decision. That is where the challenge comes with anonymity, because if we do not give the person whom we are prohibiting the right to reply to the allegations—as you know, in some cases a number of the accused individuals strenuously deny the allegations being made against them—it can be very hard. Where a victim, quite understandably, wants to retain anonymity, it is quite hard for us then to take that all the way to enforcement action.

Q199 **Dame Angela Eagle:** I understand that and we have to be fair to those who are accused as well as those who are doing the accusing, but I am talking about those circumstances where there is a pattern of behaviour, everybody knows about it, yet nobody really steps up and deals with it in companies. I wonder whether, as a regulator, if you had a series of issues like that come to you, that would impinge on your view of the fit and proper nature of the company itself for regulatory purposes. Clearly, they would not be dealing with an issue of safety at work.

**Nikhil Rathi:** One of the points we have made in our consultation is that a pattern of failing to deal with non-financial misconduct cases within your firm is relevant to our assessment of the rules around conducting your business with skill, care and diligence. That is one of the proposals out for consultation. It will be relevant and we are strengthening our ability to take it into account. These cases—as you know, these are often very well-resourced companies and well-resourced individuals—often become contentious and would be subject to a court interpretation.

Q200 **Dame Angela Eagle:** Finally, could you write to us with the things that you would like to see on the list you suggested we should legislate for in this Parliament?

**Nikhil Rathi:** We can certainly share with you the serious offences that we were drawing out.

Q201 **Caroline Nokes:** This is very much following on from Dame Angela's questioning. When it comes to whistleblowing, the evidence that we heard from women repeatedly was that they were scared to report, that they were worried that their anonymity would not be maintained and that in fact it would be their career that ended up on the line, certainly not the perpetrator's. Are you happy with the way your whistleblowing line is working?



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**Sarah Pritchard:** As I said, we take whistleblowing extremely seriously and we have taken a number of steps over the last year in continuing to improve the service that we provide to whistleblowers. One of the areas of feedback that we have had is that we do not give enough feedback to whistleblowers who blow the whistle, and so we have commenced a pilot where we are looking to give greater information to whistleblowers to explain what we have been able to do with the information that they have provided.

I would like to say very clearly that we encourage people to come to us if there is anything of concern. We will absolutely seek to—

Q202 **Caroline Nokes:** You have used that phrase several times—“seek to maintain”. What sort of guarantee would someone get that you would maintain?

**Sarah Pritchard:** I think that is poor language on my part. We would maintain the anonymity. That is exactly what Nikhil has touched on in saying that, in certain circumstances, if the whistleblower is not prepared to reveal their name, we would be limited in what we could take further forwards in relation to matters of prohibition. But we would absolutely maintain the anonymity of people who come to blow the whistle to us.

Q203 **Caroline Nokes:** What metrics are you going to use to evaluate that pilot?

**Sarah Pritchard:** Feedback from the whistleblowers that we are piloting the enhanced feedback with. We commenced that piece of work in September and we hope to be able to update later this quarter on that.

Q204 **Caroline Nokes:** Are you also monitoring the numbers? Surely a willingness to report would indicate that people were feeling more confident about it.

**Sarah Pritchard:** As I said, we have seen a steady increase in the number of people who are coming to us to report non-financial sexual misconduct. We have seen an increase in that since the Treasury Select Committee in summer last year. We are also looking at our overall whistleblowing statistics in terms of the total volume of cases that are reported to us. That has been relatively consistent over a number of years at around 1,000 cases per year, but this is something that we are examining, in terms of not just quality of feedback to whistleblowers but also numbers of cases coming through the system.

Q205 **Caroline Nokes:** There was a question at PMQs earlier on today about non-disclosure agreements. We have heard repeatedly that NDAs are used as a very effective tool to allow perpetrators to remain in post, while the victims move on. What work are you doing around NDAs and their appropriateness?

**Sarah Pritchard:** First, I would like to make it clear that our rules prohibit any term in an agreement that prevents somebody from blowing



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the whistle or from making a protected disclosure. As a matter of our rulebook, firms are not permitted to do that.

I know there has been a big focus here in relation to complaints disposed of by non-disclosure agreements, and one of the reasons why we are going out with the piece of work that I talked about earlier, in terms of surveying numbers of cases of non-financial misconduct, methods of detection and resolution, is so we can see how cases of non-financial misconduct are resolved. If we see, for example, use of NDAs alongside non-financial misconduct coming through that data survey, that piece of work, we will be able to take that into account in our future supervisory work.

We will, through our proposals, have much better visibility of non-financial misconduct regardless of whether an NDA is used. An NDA will not prevent any notifications through to the regulator. Of course, there are a number of valid reasons why an entity might use a non-disclosure agreement to keep confidential the commercial terms of the settlement, but we would not expect a non-disclosure agreement to be used to prevent somebody from raising or articulating concerns of bullying, harassment, sexual misconduct or non-financial misconduct of the type we are talking about.

**Q206 Caroline Nokes:** Just to be clear, at the moment, firms are not required to let you know that they have used an NDA, but your future proposals are that they will.

**Sarah Pritchard:** Our future proposals are not NDA-specific, but make it very clear that, where disciplinary action is taken for non-financial misconduct, firms are obliged to report that to us.

**Nikhil Rathi:** We recognise there has been feedback on this point, including in the consultation, so we are open to understanding whether those are refinements we can make to collect statistics more systematically.

**Q207 Caroline Nokes:** For the sake of transparency, should there not be a requirement to disclose whether an NDA has been used?

**Nikhil Rathi:** As Sarah said, NDAs can be used for all kinds of reasons—

**Caroline Nokes:** Yes, we all understand that, but we are talking about non-financial misconduct.

**Nikhil Rathi:** In the case of non-financial misconduct, we can certainly see, in terms of our supervisory data collection, a case for looking at it. We are open to looking, as we consider the 250 or so responses to this consultation we have received, at whether we need to make any adjustments.

**Sarah Pritchard:** On that point, the evidence and the findings of the Committee itself will be helpful for us as we consider what our final set of



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proposals should be. We have had 257 responses to that consultation and we were able to take in feedback from all the consultation responses that we have, as well as the Committee's views on the use of NDAs and what we find out through that supervisory work that I talked about earlier.

**Q208 Caroline Nokes:** What sort of timescale are you putting on that?

**Sarah Pritchard:** We are commencing the supervisory work right now. We are giving firms a short period of time to report data and then we will be in a process of analysis. I would hope that we would be able to complete the analysis across the board—we are going out quite deliberately across a number of sectors—by the summer.

**Q209 Caroline Nokes:** By the summer, thank you. I was about to say that “a short period of time” sounded like a very ministerial answer. I was going to ask for a date.

We heard in response to a question that Dame Angela asked that child grooming was not considered a sufficient offence. One of the messages that I have got from all of your evidence is that you encourage people to report to law enforcement if there might be a court judgment. Is the threshold being set way too high for female victims of sexual harassment? There may not have been a criminal offence committed, but pitching up to work every day and being the subject of sexual harassment, abuse and bullying can be completely demoralising and wear an individual down, so that they leave the industry. Are you setting your thresholds way too high?

**Nikhil Rathi:** There is employment law and there has been interesting feedback coming through the consultation as to how our proposals on non-financial misconduct interact with existing employment law, existing equalities law and existing criminal law. That is a topic open for debate and discussion, where your feedback would be very valuable to us.

It is challenging for us to set a threshold lower than what Parliament has decided for the purposes of employment law for the whole economy. What is the basis for us to do that, without some kind of parliamentary imprimatur? These start to become social policy questions.

**Q210 Caroline Nokes:** Are they not cultural questions for your industry?

**Nikhil Rathi:** They absolutely are cultural questions, but we also have very clear objectives set by Parliament as to what we should focus on. Part of the accountability framework is engaging with this Committee in particular to understand how we interpret those objectives. For us to move to set a threshold below what Parliament has already established for employment law, we really would need a degree of political cover and agreement through Parliament that that is what we should be doing. That is where this engagement is so valuable for us, because we recognise these are delicate societal issues, not just financial regulatory issues.

**Q211 Caroline Nokes:** One of the questions posed in some of the roundtables



was around the lack of knowledge of at what point victims should report to the FCA. There was a lack of understanding of who to turn to and when, and how seriously it would be taken. At what point should someone turn to the regulator?

**Sarah Pritchard:** I would encourage somebody to raise issues within their own firm, but I would also encourage individuals to come to us if they do not feel able to do that in the first place. What you see through our proposals is that we are actually seeking to arm firms themselves to take this seriously. Non-financial misconduct is misconduct, but I appreciate that sometimes, for all the reasons that you have said, a woman in the workplace will not feel confident to do that. In those circumstances, if a woman is not confident to raise it—and I understand that there are many reasons why that might be the case—please do come to us.

Q212 **Caroline Nokes:** I have asked all my questions to the FCA, and I apologise for that. Sam, if at any point you want to answer anything, please do. Will the regulators make a commitment to publish specific tools and road maps that women working in the City can use to tackle and report these sorts of behaviours? Do you think such a road map should exist?

**Nikhil Rathi:** We are very happy to take a look at that, to make sure that our communications, when we come out with our final policy, are addressed not just to firms, but to everybody who works in financial services, particularly women who may be affected as you describe. We are happy to take that away.

**Sam Woods:** I wonder whether I could add one point on what has come up. I am happy to go to other places if you want, but, on the whistleblowing, just to give you a bit more of a flavour, it tends to be slightly different cases that come to us at the PRA. To give you a sense of what actually happens, we had 227 external whistleblowers come to us last year. There is then a very structured process internally, of which anonymity is at the heart. First of all, the whistleblowing team looks at them and does a triage to work out which of them are relevant to our objectives. If they are not relevant to our objectives, are they relevant to the FCA's or some other organisation's?

**Caroline Nokes:** You redirect at that point.

**Sam Woods:** Yes, they can be redirected. Certainly, between the two organisations that happens quite a bit.

The information is then transmitted on to the relevant team within the PRA, with suitable redactions around anonymity and things of that kind. That would typically be a supervision team for the relevant firm, and the supervision team then has a number of ways of taking that forward. They can go into it directly, if they feel they can do that without breaching anonymity. Sometimes, it will be a thing where what comes forward is





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actually something the supervision team is already a bit aware of and this is an extra piece of evidence that they can use. That helps them put the right questions to, say, the chair of the audit committee or whoever it is.

I just do that to give you a bit of a flavour. With whistleblowing, it does not come in and go into a black hole. There is quite a structured and disciplined process—and there will certainly be an equivalent at the FCA—around what happens with it.

**Q213 Chair:** On that, may I just clarify two very important and interesting things that I think I heard you say, Sarah? First of all, in your supervision, you already do ask about how many non-disclosure agreements for non-financial misconduct are being used in a firm. Is that correct?

**Sarah Pritchard:** No. I was talking about how, in the supervisory work that we have just commenced, we are looking to firms to explain numbers of non-financial misconduct cases, methods of detection and methods of resolution. Through that new piece of work, which we are commencing right now in relation to wholesale banking, brokers and insurance, we would expect to have details coming back specifically on NDAs, among other methods of resolution.

**Q214 Chair:** Thank you for clarifying. The second thing I think I heard you say was that, regardless of whether you are party to a non-disclosure agreement and you have left an organisation with a non-disclosure agreement, it is still legal for you to call the FCA whistleblowing hotline.

**Sarah Pritchard:** Absolutely.

**Chair:** That is a really important clarification. Thank you.

**Q215 Dame Siobhain McDonagh:** I would like to look at diversity data reporting. The FCA and the PRA are proposing that firms with more than 250 employees report their diversity and inclusion data to the public but, when you read the fine print, you find that there is no mandatory requirement for all firms to report data about caring responsibilities, gender, or social and economic background. It is all voluntary. How are we going to make progress on inclusion if firms do not even have to give us the data about who works for them?

**Vicky Saporta:** We had to strike the right balance in terms of what characteristics we ask firms to report to us. We had to use certain criteria. Is there evidence, for example, that this will reduce group-think and improve decision making? That was our objective. How many firms already collect the data? We did a data collection exercise on this, because we need to balance the costs and the benefits in terms of proportionality. We received comments on the discussion paper in terms of what stakeholders thought was relevant. Also, what would be a meaningful time series going forward, in order to do the benchmarking exercise that we talked about?



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Given all of this, we came up with six mandatory demographic characteristics and, as you have discussed, four voluntary ones, which are the ones you set out. That said, we have asked for feedback on whether these are the right ones. We in the PRA have received 77 responses, which we are working through, and some of the feedback actually talks about these demographic characteristics, including, for example, feedback on socioeconomic background. Some people believe that this should be mandatory.

We will take this into account. We will take into account the costs of the proposals, as well, while we are finalising the approach.

**Q216 Dame Siobhain McDonagh:** It is very hard to see how you would make any progress at all if gender was not a mandatory reporting requirement.

**Nikhil Rathi:** There is a mandatory reporting requirement around legal sex, which is consistent with the law. Where we have made proposals around mandatory reporting, we have relied largely on what Parliament has determined are protected characteristics under employment law. Where we have opted for more voluntary approaches is where Parliament is still debating some of these questions, be that around gender identity, caring responsibilities or the definition of socioeconomic background.

As Vicky said, we have received a huge amount of feedback. We have received some feedback saying we should go much further. We have received some feedback saying we have gone too far already. Where the Committee comes out on this will be very instructive for us in thinking about how we take this forward.

**Q217 Dame Siobhain McDonagh:** It is quite easy to imagine that a really financially successful company thinks, "This is political correctness gone mad. We are not going to tell the FCA or the PRA the gender, socioeconomic background or caring responsibilities of our members of staff, because actually it is none of their business. We are just making the money." What do you do with them?

**Sam Woods:** It depends where we make the policy and if indeed we make the policy. As Nikhil was saying, we will be very interested in what the views of the Committee are on this point, but the primary motivations for drawing a distinction in the first place were, first, as Nikhil has said, that there is greater clarity around some of these areas in political discourse than in others. We had to be sensitive to that. We should not be leading some of those points.

Second is the point that Vicky raised on the cost. There is quite a helpful table in the PRA's consultation paper—it may well be in the FCA's as well—which shows what percentage of firms already capture various things. Socioeconomic is the best example. Only around 10% of firms already collect that.

**Dame Siobhain McDonagh:** There may be a reason for that.



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**Sam Woods:** Sure, but we thought it was reasonable, in advancing the proposal, to go for the things that are more widely collected, at least to begin with, and then see where that takes us.

Q218 **Dame Siobhain McDonagh:** I was going to move on, actually, to socioeconomic data. Nine in 10 senior roles in financial services are held by people from higher socioeconomic backgrounds. Working-class staff members take 25% longer to progress, despite no evidence of poorer performance. That increases to 32% for black working-class staff.

I am sure none of us is shocked by this. We knew that that was the case, but it is shocking in itself, if we are all about socioeconomic advancement and social mobility. Does that highlight that we need more data about working-class staff in particular?

**Nikhil Rathi:** We said in our proposals—and they are proposals, as Sam said, so they are not yet made into rules—that the socioeconomic category would be voluntary. There is debate around the precise definition of socioeconomic background and we have to seek to develop best practice there, but we would encourage firms to report that. Just because it is voluntary does not mean we are not encouraging.

There is a real issue of leadership here. Leadership comes up across all of these dimensions and the statistics you share are sobering. The judgment we always have to make—and, again, we will be interested to see the feedback from the Committee—is how far we should go to use regulatory rules in order to make things mandatory versus, as the Chair said at the start, galvanising and encouraging firms to take the lead themselves. How do we strike that balance?

Q219 **Dame Siobhain McDonagh:** Under your proposals, it is only firms with more than 250 employees that will be asked to give their data, but there are lots of organisations in financial services with less than 250 employees that we could also look at. Just look at Crispin Odey at Odey Asset Management. He was accused of sexual misconduct by junior female members of staff, with 20 women having similar allegations. Under your proposals, Odey Asset Management would not have had to hand over its data about gender, because it would have been too small an organisation.

**Nikhil Rathi:** You will understand from my previous evidence to the Committee that there is an investigation under way in relation to that specific case, so I will not talk about a specific firm. We looked at the gender pay gap reporting threshold set by Parliament, and Parliament set the threshold there at 251 employees, based on the Companies Act definition. That was the judgment made in that legislation.

We have had a lot of feedback coming through from smaller firms about the additional cost to them of having to build new systems, and we also have an obligation to consider proportionality for small firms, which is why we made the proposals around threshold. Again, there is nothing



stopping a smaller firm voluntarily collecting the data. The question is: do we make it mandatory?

**Q220 Dame Siobhain McDonagh:** The trouble is that it is the ones that will not do it that you most want to know about.

**Sam Woods:** I would just add that this is an area of judgment in the proposals. We have frequently in this Committee talked about proportionality and it is a topic that you have sometimes pushed us on. We have had quite a lot of views come back through the consultation responses, some coming from the opposite corner from the one you are currently coming from, if I am reading it correctly, saying that the threshold should be much higher. If the Committee had strong views in this space, it would be very useful for us to know those before we finalise.

**Q221 Dame Siobhain McDonagh:** Over the last six years, the gender pay gap for women working in finance has reduced by only 1.7%, despite mandatory gender pay gap reporting being introduced in 2017. Does that prove that, whatever data these firms give you—and we had a discussion before the start of the meeting on this—we need timebound targets and real consequences if we are going to have any impact? Should we start publishing a list to name and shame those with the worst diversity and inclusion rates and data?

**Sam Woods:** Vicky might want to come in, because we have included the proposals in both of our consultations around targets, but how we have approached that is quite specific.

**Vicky Saporta:** The proposal is that all firms, or the vast majority of the population, will have to publish information about their diversity, equity and inclusion strategy. In terms of publishing targets, which is what you were referring to, it is only for proportionality reasons that we have identified firms of 250 employees and above. To give you a sense, for the PRA it is 789 firms, which is half of the firms we regulate. It is not a small proportion of the firms, but we are not going to specify the targets. We are not going to say what the targets are going to be. This is something that we debated a lot after the discussion paper and we think that the firm itself should be accountable for the targets that it sets, which are going to be published, and should explain why it is deviating and has not managed to meet them publicly and to us as supervisors.

It is not completely straightforward to make progress in these areas, even if your intentions are extremely good and you are completely dedicated. I say that as a leader. There are many, many issues that need to be solved. It is possible to have set a target and to have missed that target, but firms need to explain why and they need to describe their strategy to get there. That is how we will approach that.

**Sam Woods:** We are also proposing a benchmarking report. It goes back to something Sarah was referring to at the beginning. We propose that, if



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we go ahead with this policy, we, the regulators, will produce something. My experience of firms is that that might not apply to all and it might not apply to some that are strongly opposed, but generally that benchmarking is a powerful motivator for change.

Just for extra clarity on the numbers, the 780 on the PRA end is the firms to whom the whole policy would apply, and then there is a split between the smaller and the larger firms.

**Q222 Caroline Nokes:** Can I return to an answer that Nikhil gave about gender identity? It is included only in the voluntary reporting but, of course, under the 2010 Act it is a protected characteristic. Just because we are rowing about it constantly in the media does not negate that.

**Nikhil Rathi:** We have given the option for firms to report based on how they collect the data, whether they collect on sex or gender identity. What we have not said is that it is mandatory for every dimension, because not all of them are collecting the data.

We had a very significant response on that very topic to a previous consultation on listing rules and that was the position we arrived at, which seemed to secure broad consensus from the market. Firms will be able to report based on what they use in their databases around that characteristic.

**Vicky Saporta:** If I may, my understanding is that in the Equality Act 2010 it is gender reassignment that is—

**Caroline Nokes:** You are not collecting that. That is only in the voluntary bit.

**Vicky Saporta:** There is a difference between gender reassignment and gender identity, and I understand that the protected characteristic under the 2010 Act is gender reassignment.

**Caroline Nokes:** You are not collecting that.

**Vicky Saporta:** No. We are not asking for mandatory data collection.

**Q223 Caroline Nokes:** You understand that gender reassignment is a protected characteristic, but you have not included that in the mandatory—

**Vicky Saporta:** No, because my understanding is that in 2015 there was, among other things, a House of Commons report that suggested that gender reassignment is an outdated term, given the evolution of society. It is different from gender identity conceptually.

**Q224 Caroline Nokes:** Did that report change the 2010 Act?

**Vicky Saporta:** No, it didn't.

**Chair:** We heard what you said about wanting to align with the



legislation.

Q225 **Mr Baron:** Good afternoon. I wish to shine a light a little bit, if I may, on the PRA's and FCA's proposals when it comes to requiring certain firms to establish, maintain and disclose diversity and inclusion strategy, as well as setting appropriate targets. What do you hope this will achieve? Can I put it to you that, for those firms that do not have such a strategy, this suggests that they do not view improving diversity and inclusion as a business priority?

**Sam Woods:** The overall motivation from the PRA's side—and it is a slightly broader one on the FCA's side—is trying to improve outcomes in terms of group-think and the risk of financial blow-ups resulting from it. That is the whole motivation for the policy.

We thought, following the discussion paper that we had prior to putting out these proposals, that a relatively straightforward and common-sense suggestion would be that, if people want to make progress in this area, they have to have some kind of a plan. Then, if you are going to ask people to have a plan, what do you call it? Is it a policy? Is it a strategy? Is it a plan? We thought a strategy best captured what we were talking about.

It is worth mentioning—this is, in a way, implied in one bit of what you said—that a lot of firms already have something that could be a strategy. In response to the survey we did after the discussion paper, together with Nikhil and his colleagues, just over three quarters of firms told us that they already have a D&I policy.

Part of what we are doing here—it goes back to something that the Chair asked at the beginning—is quite deliberately not to propose things that are a long way out of current mainstream practice in financial services. We had tried to locate our intervention there with the hope that that can make progress for the sector as a whole.

**Sarah Pritchard:** From an FCA perspective, we very much endorse what Sam has already set out in terms of the objectives behind it. What we are seeking to do through the strategies is to put flexibility at the heart. We are not mandating what it looks like.

We are not trying to drive a tick-box approach, but we are saying that firms themselves should set their own strategies. They should look at the areas of under-representation. They should set out the objectives and goals, how they will measure progress and how they will resolve difficulties along the way, and, crucially, put the board in an ownership position in terms of ensuring that progress is made.

We think that strikes the right balance of not having something overly prescriptive by a regulator that might drive a tick-box approach. It reflects much of what is best practice that firms are adhering to anyway while demonstrating ownership and interest at senior levels of the firm.



One of the areas where we are getting some feedback through the early analysis of responses is how that strategy should work vis-à-vis global firms. We have said we are looking at UK entities, but clearly some firms that operate cross-border are saying, "We have a global strategy and we want to make sure that we are consistent with that global strategy. Do we need an extra UK strategy?" I know we have some detailed feedback at that level of detail that we will need to work through as part of the responses to the consultation.

**Q226 Mr Baron:** Thank you for that. Those who are uncharitable might suggest that policies and strategies are all well and good, but the devil, as ever, is in the detail and the enforcement. I will come on to targets in a second but, just putting targets to one side, what enforcement action are the FCA and PRA going to introduce, or contemplating introducing, by way of ensuring that those companies that do not comply or do not even have a D&I policy/strategy actually introduce it and then stick with it?

**Nikhil Rathi:** If we were to go ahead and make that particular rule, there would be a requirement to have a strategy, but we are not specifying the content. We deal with 45,000 firms at the FCA, so it is impossible for us to prescribe a detailed template.

As we said earlier in the hearing, this part of the proposals is not an area where we are contemplating significant enforcement action. It would be much more in the supervisory domain. Where we see outliers or we see poor-quality strategies, we will be doing work on benchmarking and peer reviews, so that firms can see how they compare with others to galvanise change.

At this stage, our judgment has been that it would be a step too far for us to start, through enforcement mechanisms, seeking to police the detail of the diversity strategies, but we can use the other tools available to us.

**Q227 Mr Baron:** Can I just come back to you on that? I will bring Sam in afterwards. It does feel as though a delicate balance needs to be struck here. I get what you are saying—that you do not want to wade in with size 12 boots on enforcement, because it does depend to a certain extent on the criteria on the ground. You are talking about global companies and so forth but, at the same time, there is a duty incumbent on both your organisations to ensure that companies are moving in the right direction. How are you going to ensure that this is not just a compliance tick-box exercise?

**Sam Woods:** I agree with you about that. What we are trying to do through these proposals, if we take them forward, is to galvanise progress across the industry. My instinct, like Nikhil's, leaving aside the non-financial misconduct questions, but on these matters like the strategy, is that this will be much better achieved if it is essentially a co-operative endeavour between us and the industry.



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In that way, it is quite different from, on the PRA's side, capital, liquidity and things of that kind. This is a slightly different animal. It would be the subject of some disappointment if we went ahead with this policy and we found ourselves quickly into enforcement discussions. I would think something had gone wrong if that were the way it played out.

**Nikhil Rathi:** This is going to be a multi-year exercise. We will be able to have much more data and, if there is really no meaningful progress being made, we are going to come back and have this discussion with you or a successor Committee about the next steps that could be taken. Some of them might be steps for us; some of them might actually be steps that inform legislative choices.

Q228 **Mr Baron:** What you are saying is that it is about the direction of travel and, to a certain extent, the pace of that travel, rather than anything else. In that case, may I question you on your consultation papers that propose—and correct me if I am wrong—that firms with more than 250 employees be required to set diversity targets for under-represented groups? It goes a little against what you have just highlighted. While I am cautious about diversity targets, I realise that the direction of travel is important and the pace of that journey is important, but does the setting of diversity targets not risk introducing a powerful incentive for positive discrimination? Why are there diversity targets, from what you have previously said?

**Sam Woods:** Maybe I could start on that and perhaps bring in Vicky as well. We took the view, again informed by the responses we had to the discussion paper, that targets could form a useful part of the overall approach to making progress in this area. I would say there was quite strong support for that, from the responses we had to the discussion paper.

Q229 **Mr Baron:** Sorry, the responses from—

**Sam Woods:** From the industry.

**Mr Baron:** The industry generally was supportive of diversity targets.

**Sam Woods:** Yes, not wholly, but there was significant support for the idea that targets should be part of the mix. There was also a strong caution, which I think is correct, about leaving the choice of targets, setting of targets, specification of targets, to firms. That is the approach we have taken. You are right that in one area we have set a backstop expectation, but I wonder if Vicky wants to come in on this as well.

**Vicky Saporta:** As Sam said, there was general support—not 100% support—for the setting of targets, but little support for us as regulators specifying the number. Therefore, we have taken on this feedback and we say that these firms of 251 employees or above need to set targets. We are not going to specify the number; indeed, we are not even going to specify the demographic or characteristic, apart from having an expectation that, if gender or ethnicity is under-represented relative to





the population, there should be a target for that. We are not going to assign the number for that target.

Q230 **Mr Baron:** I understand that. You are leaving it to the individual companies but you think, from your feedback, diversity targets are a good thing. Fine, but what happens if companies do not meet their targets?

**Sam Woods:** It is very important, and I think we say this in the consultation, that there is no mechanistic, supervisory reaction to somebody missing a target. It is completely different from not meeting your capital requirement, because you want people to set stretching targets for themselves. The targets that we have for our own organisations are ones that may or may not be hit. We would get off on the wrong foot if people felt that we were going to come in very hard because they had missed a target.

You did also raise an important question: is there a risk that having targets encourages positive discrimination? We should be clear that positive discrimination, in the sense of appointing not the best person for the job, is illegal and wrong. Nothing that we are putting in here is intended to advance that. We are hoping to encourage the kinds of initiatives within firms that are about levelling the playing field and making sure everyone has equality of opportunity in applying for jobs. It is important to state that clearly.

Q231 **Mr Baron:** Help me out a little bit here. I worked in the industry myself, as you know. I am with you that you do not want to wade in heavily when it comes to diversity targets. You do not want to create an environment of positive discrimination. I get that, but there is a balance here, I suggest to you. If targets are continually being missed—these are targets set by the companies themselves—where do you see your role, as both the FCA and the PRA, in coming in and tapping companies on the shoulder to say, “We need to get better at this and improve in what we are doing”? After all—let us be clear about this—these are targets set by the companies themselves, not by you.

**Nikhil Rathi:** It certainly would be a basis for a conversation with the firms, if it was a consistent pattern of missing reasonable targets. I would, like Sam, be cautious about us going in, setting them ourselves and being too forceful with enforcement. In other countries where there have ultimately been decisions around numbers and indeed quotas, those have been by the relevant legislature, because it becomes a social policy question. There are examples in the Scandinavian region and elsewhere.

In the UK, to give ourselves a little bit of credit across the corporate sector, we have done quite well through voluntary approaches and galvanising leadership on boards. We have done better than some other jurisdictions. That is the governance culture we have.

Q232 **Anne Marie Morris:** I am going to wash up with a couple of questions



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supplementing what has been looked at already on implementation and enforcement. Clearly, there are going to be some manpower issues. Will you actually have the resources, and are you looking at how you ramp up the resources, to ensure that you will actually be able to do all the things that you have said you are going to do?

**Sarah Pritchard:** From an FCA perspective, we have focused on culture for a number of years and we will be looking to introduce this set of proposals alongside that culture workstream. We would train up all of our supervisors across the whole piece. This would not be about having a specialist team that was looking at this only from a narrow perspective. I would fundamentally want all of our supervisors to look at this as they are looking at a firm's culture, which we believe, as has been touched on, directly relates to our statutory objectives in terms of reduced risk of group-think and healthy cultures. We would bring that alongside all of the supervisory work that we do across the whole of financial services.

We would clearly do a training programme to upskill our supervisors, so that they are aware of the strengthened proposals around non-financial misconduct and also what we would expect to see in terms of strategies, targets and data disclosure. We would look to have that in place as we settle the final policy, in the process of taking on board the feedback through the consultation at the moment.

Q233 **Anne Marie Morris:** So you do not see there is going to be a volume issue. I can understand the logic of extending the skillset rather than having a separate team but, none the less, presumably there will be more volume. Do you still have enough?

**Sarah Pritchard:** I do not see it being a volume issue, because we have this focus on culture already. This would very much sit alongside our existing way of supervising. In fact, it gives us a different insight into culture that we do not have at the moment, which we might have through direct conversations, but this will be fed more by data and by strategies that will be disclosed. I do not see it as a significant volume issue for us.

**Sam Woods:** In a sense, it is a bit early. The first question for us is, once we have digested all these responses, whether we are going to make the policy and what shape the policy is going to have. If we do make the policy, and once we have that shape, we will have a training module, the same as Sarah described, for supervisors. My guess is that we would not need to add significant staff to do this but, if we felt we had to, we would not hold back from doing that.

**Vicky Saporta:** For example, to construct the benchmarking exercise, the peer analysis and the tools—which, as we have described, we see as potentially a significant benefit for galvanising this area and for all of us learning about what is going on—would require some resources. We need to decide once we have the approach.



**Sam Woods:** Vicky is getting her budget bid in early.

Q234 **Anne Marie Morris:** Finally, clearly there are your own teams, which will need training, but are you going to be offering anything to your members? This is quite a complicated area and you will need to be able to set out very clearly what is non-financial misconduct and what is not, because it is not a straightforward issue.

We have heard about the number of different things that can happen within the workplace. Some are considered minor, but what is minor? What is actually something that is big time non-financial misconduct and what is something that is an offence in legislation?

**Nikhil Rathi:** That last point is an important one for me to register here. We get a lot of this back in the feedback: "You have to give us absolutely detailed guidance and rules." It is simply not possible for us to do that, because these are judgments. These are where we need the leadership of firms to take these things seriously. We can give case studies and we can explain how we would consider certain cases, but to give absolutely prescriptive guidance would be impossible. Some of the investigations we are dealing with now are scenarios that you could never have possibly contemplated if you started from scratch.

**Chair:** But the things that you have spelled out have been bullying, harassment—those kinds of things.

That brings our first panel to a close. Thank you very much for your time this afternoon. I am going to momentarily suspend the Committee and bring in our next panel of witnesses.

## Examination of witnesses

Witnesses: Maria Caulfield MP and Baroness Vere of Norbiton.

Q235 **Chair:** Welcome to our second panel of witnesses in this final session of our inquiry into sexism in the City. I am going to start by asking our witnesses to introduce themselves.

**Baroness Vere:** Good afternoon. I am the Treasury Lords Minister. I am here in my capacity as the Treasury Minister responsible for the women in finance charter. The charter has undergone quite a journey since it was created in 2016 and we now have over 400 firms of all shapes and sizes, in all areas of financial services, signed up to the charter. Together, these firms employ 1.2 million people, which is about half of those who work in financial services.

I will go into more details around what the charter has achieved to date. We are very proud of it and we think it has had a positive outcome.

**Chair:** We will come to some more questions on that.



**Maria Caulfield:** I am Maria Caulfield. I am the Minister for Women. I am a Health Minister as well. My remit is around improving equality outcomes across the board for women, but in particular in the workplace, in terms of both pay and conditions and opportunities.

**Chair:** You are having a very busy day, because of the women's health summit this morning.

**Maria Caulfield:** Yes. It was a very successful morning.

**Chair:** We appreciate your being here with us.

Q236 **Anne Marie Morris:** First of all I apologise, because, after I have asked my questions, I fear I have another commitment, so I am going to have to love you and leave you. I have asked Dr Coffey if she would support me and ask the questions I do not ask.

I would like to start with the pay gap. Ms Caulfield—Maria—you are well aware that the improvement in this sector has not been meteoric. It is something that we are very concerned about. What further action might the Government take? There have been a number of suggestions from other bodies as to what we might do. What are your thoughts?

**Maria Caulfield:** Overall, we are seeing an improvement in the gender pay gap. We are seeing a reduction in that across the piece, but you are right that, in the finance and insurance sector, we have not seen quite such an improvement. I think it is just about a percentage drop but, within that, there are different parts of the finance and insurance sector where the problem is worse than others. We are looking at the evidence as to why that is. We also know that in full-time employment, for example, there is a 7.7% gap. Actually, in part-time employment, women are being paid more. That might look good on the surface but, when you look at overall pay, part-time workers are paid considerably less.

Q237 **Anne Marie Morris:** Can I stop you there, because that is not answering the question? You are right to expand and explain, and of course there is diversity in the sector, but the question is what you are going to do differently. Clearly it is unacceptable that the pay gap is 23.7% in this sector, yet the average in other sectors is 11.7%.

All sorts of suggestions have been put forward. Should we look at advertising salary bands as a mandatory issue, whenever there are adverts? Should we ban salary history as being something the future employer can look at and therefore think, "I can get away with that much less"? There are some practical things that we could do. Do you accept any of those as worth considering and/or are there any other things that you would consider?

**Maria Caulfield:** Absolutely, but it is important to look at what the data is telling us. I heard the previous discussion about whether we should be collecting more data, and I am not sure that that is the solution. More



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mandatory collection of data is not the solution, because we broadly know the issues, which I just outlined.

You are right that the next step now is to take some practical action and to target that. You touched on pay transparency, which we are very interested in. We are looking at that and working with organisations around a pilot scheme to look at that, because we know that, where salaries are not advertised, for example, women are often paid at a lower rate.

For example, my background is in nursing. It is very clear when you are going for a job not just the salary bracket, but where you would be on that spine of pay. That is not the case in the finance sector. Pay transparency is one of those areas that we are looking at. We are also making progress in getting more women in leadership roles. Those organisations that have women in senior leadership roles, on boards, tend to have a lower gender pay gap in their figures. Those are practical steps.

The other area that we are looking at is about helping women start up their own businesses, to become employers themselves, because we know that that has an impact on the gender pay gap. The high-growth taskforce that we set up, which Anne Boden, who set up Starling Bank, is leading for us, is able to show some disparities there and just how difficult it is for women to start up their own high-growth business. We feel, if we can support that, that will have a knock-on effect in the sector about reducing the gender pay gap overall. There are some real, practical changes that we are working on that we feel will make a difference to those figures

**Q238 Anne Marie Morris:** Will you legislate?

**Maria Caulfield:** Helping women to start up their own businesses in the high-growth sector is something that we would not necessarily need to legislate for. The high-growth taskforce is going to be reporting back to us soon about recommendations that would help women start up on their own. It has already identified access to equity, which is disproportionately negative towards women. Of all the finance equity that is released, 85% goes to businesses with men as founders. I am not sure legislation is always the answer.

**Q239 Anne Marie Morris:** You are absolutely right, Maria, but in terms of transparency, which is the other point you made, there would be a benefit from legislation.

**Maria Caulfield:** We are looking at a pilot first to see what pay transparency would look like before we would take legislative steps. I am not ruling it out, but I am saying that that is not the first step that we would be looking at.

**Anne Marie Morris:** Chair, I think Dr Coffey will be happy to take on further questions in this area, if you are happy with that.



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**Chair:** Of course. *[Interruption.]* We do have water available, Baroness Vere. *[Interruption.]* I think there is a bit of a lurgy going around.

Q240 **Dr Coffey:** Baroness Vere, being in the Treasury, you have the direct links with financial services. It concerns me that, in the post-implementation review of the pay gap reporting regulations, only half of employers plan to take effective action to close their gap.

I would welcome also the views of Minister Caulfield. There has been an update to the guidance on how to potentially do this, but frankly, due to the change in regulations, which will no longer cap bonuses, I expect the City will now adjust. Instead of hiring at higher fixed salaries, we may see greater variation in that. *[Interruption.]*

**Baroness Vere:** I apologise, Chair.

**Chair:** If you really are not able to reply, and it sounds like you are very indisposed, Baroness Vere, we would be able to follow up by letter on some of these questions. I will leave it to you to decide whether you can—

**Baroness Vere:** Can I just have five minutes? Maria can answer some questions and it will go away, I hope. I will come back in a second.

**Dr Coffey:** The review, at the time, did not make any suggestions to strengthen the regime, but there has been an update since. I am really concerned that we will see this variation in salaries now start to happen quite significantly. This is where there could be movement to start to look at the pay band reporting, so that there is greater and greater transparency.

Organisations should not be frightened of how that information is shared. We are not asking for individual salaries. Can you give me your thoughts on that, please? Otherwise, the City is really lagging behind much of the other good work that has been done.

**Maria Caulfield:** No, absolutely, monitoring is important. Whether to make it mandatory is another factor, because we already see from the gender pay gap reporting that we have where the problems are. One of the things we do not want to do is overburden businesses with that, if it is just going to tell us what we already know.

One of the factors that we know is affecting pay for women in this sector is that many women do not go on into leadership positions. There is a high turnover. Many of the most experienced women, who would be able to be in higher-paid roles, are not staying in the sector. We have a similar issue in the STEM sector, where very often experienced and skilled women leave and then, if they want to return, it is much harder to.

In terms of some of the practical work on the previous question, we feel that our efforts and time are best used focusing on that. How do we get women back into finance who have maybe taken a break, and get them in at the level they were, if not slightly higher up? Would that make a difference in terms of improving pay for women overall, rather than just



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more mandatory reporting of facts that will not necessarily tell us anything that we do not know already?

Q241 **Dr Coffey:** The Government have a relationship through the women in finance charter. There are a number of investors in there. They are the owners of these businesses. They are investing billions of pounds. All the evidence shows that greater diversity higher up the executive level improves productivity. What are you as Ministers doing to hold those investors who are on the women in finance charter to account in terms of the action they are taking?

**Maria Caulfield:** You are absolutely right. It is trying to get the message across that this is good business sense, to be supporting women in business. We know that businesses that have a woman founder attached to them have a significantly higher turnover. Credit Suisse has indicated that their businesses are more innovative. It is good business sense to have women in these leadership roles, but also to pay them in a way that reflects their role.

You are absolutely right: it is about the investors. That is the work that Anne Boden is doing for the high-growth taskforce. It is looking not just access to equity, but at the behaviour and culture of investors who can drive forward this change in a way that Government will not be able to do. We can set targets and we can set deadlines for when we need information, but it is about changing that culture and, if investors are changing that, then that will drive a bigger cultural change than we as Ministers and Government can.

I do not want to pre-empt their report—they will be reporting pretty soon, with recommendations to Government, and we will take those extremely seriously—but I know from some of the evidence sessions that I have attended of Anne Boden's taskforce that that is exactly the point that she is making. I am hoping we will see recommendations from them that will support your arguments and that we will be able to take up.

Q242 **Chair:** When will we see that, just out of interest?

**Maria Caulfield:** Fairly soon. We are talking weeks rather than months.

Q243 **Dr Coffey:** There has been some evidence given to us that asking for salary history as part of job applications perpetuates the gender pay gap issue. There have been some suggestions that recruiting firms should be banned from asking for salary history information. What is the Government's view on that?

**Maria Caulfield:** I would not disagree. Particularly in the finance sector, where we know that historically there is a bigger gender pay gap than in other sectors, women naturally come to an organisation or apply for a job with a lower salary than really reflects the role they were doing or their skills and experience. As part of the pay transparency pilot work that we are working with organisations to set up, we could certainly look at that—not just advertising pay and pay scales, but the requirement for



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individuals to report their previous salary. We can certainly look at that as part of the work that we are doing.

**Q244 Dr Coffey:** In terms of ongoing challenges on the gender pay gap, the initial idea came through in the coalition era, and then it happened just a few years later after consultation. Who are the best at doing this in financial services and who are dragging their heels?

**Maria Caulfield:** We know that the insurance part of the finance sector is probably the best. It is still way off the national average. The figure for the finance sector is 27.9%, which is not great. Compare that with monetary intermediation, which is at 33%. There is a wide variation, but the whole sector is poor compared with the national average of 14% for all employees. You can break that down further in terms of full and part-time work. We know that some are performing better than others, but it is not great.

In terms of the banks themselves, we know there is a disparity. The figures that we have from April show that HSBC is at 51%. It goes down to Standard Chartered at 24%. There is a wide variety of performance even within the finance sector.

**Q245 Dr Coffey:** A lot of the chief execs and chairs of these organisations like to be part of Government roundtables, be put forward for honours and all those sorts of things. How are we going to take into account delivery of the positive behaviour change that is needed for that longer-term profitability and sustainability?

**Maria Caulfield:** There is a correlation. The companies that have met the target of 40% women on boards have better performance than others. Driving forward that change will help. You are also right about the way we reward some companies when their performance on some of these issues is not great. There is corporate responsibility in terms of how they run their organisations. There could probably be a more social element in how we hold them to account. If you look at the work we are doing with the Women's Business Council, which is now being led by Mary Macleod, we also want to do that kind of work more widely.

**Q246 Chair:** Baroness Vere, may I ask you a few questions about the women in finance charter?

**Baroness Vere:** Please do. I shall do my best to answer them.

**Chair:** We heard earlier from the PRA and the FCA about some of the consultation that they have taken forward. For this Committee, the approach we are taking to this whole inquiry is that this is about the growth of the UK economy. The more we can be competitive in this world-leading sector, the more we can attract and retain the best talent in this sector, and the better it is for Treasury coffers and for the public services that those coffers pay for. I wonder whether the Treasury and the Government have any plans to make any changes to the women in finance charter or to take forward any initiatives in this area.





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**Baroness Vere:** I am grateful for that question. Remember that the women in finance charter was set up after the “Empowering Productivity” report back in 2015. Its background is about productivity. It is about innovation, competitiveness and productivity; it is about ensuring that the financial services sector is making the most of the talent that is available.

In the years that have passed since it was set up in 2016, we have very much focused on getting a large number of signatories to sign up. As I say, we now cover about half of the whole sector, which is about 431 firms. The focus is now very much on getting people to adhere to the four principles that exist and to make sure that, having signed up to the charter, they are actually doing something about it. We have seen significant increases in the targets set and actual practical increases in numbers.

Q247 **Chair:** You are not planning to make any changes to the charter itself or make it more than just a voluntary exercise for firms.

**Baroness Vere:** No.

Q248 **Chair:** You are just encouraging more people to sign up to it. That is the extent of it.

In terms of the proportion of senior roles held by women in the firms that have signed up to the charter, that has gone up from 27% when it was launched to 35% in the most recent data we have, which is from 2022. Are you happy with the pace of that progress?

**Baroness Vere:** No one would ever be happy with that pace of progress. It has gone up and we are very pleased with that. The signatories have also set targets above 35%, which is absolutely fantastic. We now have to see greater movement in the future. It is not about getting more signatories; it is about making sure that those people adhere to the principles and take it forward.

Q249 **Chair:** I will let this be a short answer: yes or no. Do you support what the PRA and the FCA are doing?

**Baroness Vere:** Do you mean in terms of their consultation?

**Chair:** Yes.

**Baroness Vere:** The point here is that the PRA and the FCA are independent regulators. They are operationally independent. They have fairly broad discretion under their rules to do various activities. We have noted their consultation. It closed in December. They will be looking through the consultation responses. We do not really have a feel for what that consultation will feed back. We will work very closely with them on the results of that consultation just to see what the sector says.

The important thing about their consultation is that it is a really good opportunity to test the temperature of the sector as to how they feel



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about D&I activities. The women in finance charter came out of a productivity driver, not necessarily as a D&I intervention, although it is very helpful for certain firms to use it for other D&I initiatives.

Q250 **Chair:** That did not sound like a yes to me.

**Baroness Vere:** It is neither a yes nor a no. We do not know what the results of the consultation are. It is being done by independent regulators. We have ways of holding them to account. Your Committee has ways of holding them to account, as does Parliament, and the Treasury can direct the FCA and the PRA to do certain things, but I am not saying that we are going to take any of those courses of action. They have done what they have done. We will see what responses we get from the financial services industry. It will be really interesting to see what responses, feedback and data come in.

Q251 **Chair:** I just want to bring up one point to do with the pay gap. It is fair to say that this is the best-paid sector in the UK.

**Baroness Vere:** Yes, quite possibly.

**Chair:** You see a very wide pay gap in this sector. As part of this inquiry, we have heard evidence from women that, because it is one of the best-paid sectors, the Treasury-imposed threshold for tax-free childcare at £100,000 can come into play. We have heard evidence that some people, because this is a well-paid sector, are choosing to work part time or shorter hours in order not to go through that threshold, which is making the pay gap worse. I assume this is something that the Treasury is looking to change in the upcoming Budget.

**Baroness Vere:** The Treasury keeps all taxes under review. That is something we are well aware of.

**Chair:** Given that I do not want to use up too much of your voice on my questions, I will bring in Angela.

Q252 **Dame Angela Eagle:** Does the City have a sexism problem? We know it has a pay gap problem, but the title of our inquiry is "Sexism in the City".

**Maria Caulfield:** I might not use the word "sexism", but when I was on the Women and Equalities Committee we did an inquiry into women in the workplace. Presenteeism features heavily as a factor both in the gender pay gap and in how women are promoted and get on to boards. The finance sector is very focused on presenteeism. We all know that just because you are at work for longer hours does not mean you are more productive. Very often, a woman who will spend less time in the office because they have to get home for childcare or other responsibilities will actually do more work in the hours that they are there.

Whether it is sexism or just a general cultural issue, the finance sector has a certain culture, which does not necessarily reward the strengths that women have, but that is changing. While I would say our work on gender pay gap reporting and the women in finance charter is brilliant,



covid will drive some of that cultural change. It is now acceptable for anyone to be working from home, doing virtual calls, not having to be in that office, not going for drinks after work and all those sorts of things, which will benefit women and drive that cultural change.

**Q253 Dame Angela Eagle:** Can I ask you about the worse end of behaviour that we have come across in the City, which is sexual harassment, bullying, abuse and misogyny, up to and including very serious criminal allegations of rape? We know what happened with Odey Asset Management, but evidence given to us by Can't Buy My Silence suggests that City workers feel like they cannot come forward if they have been a victim of it.

77% of workers who encounter sexual harassment or bullying in the workplace do not formally report it, which is 17% higher than in other industries. When they do report it, the outcomes for City workers are worse than in other industries. Remember that when they come forward they are probably risking their careers. 44% of cases became worse or much worse as a result of reporting it. 56% of cases resulted in the victim leaving.

This is very much like the evidence we have taken in our roundtables. This is a serious problem of abuse and misogyny. It is not getting any better. What should the Government be doing to cajole the sector into putting its house in order? So far nothing has really worked.

**Maria Caulfield:** I would say two things. First, we have just passed the Worker Protection (Amendment of Equality Act 2010) Act, which was a private Member's Bill. There is now a duty on employers; they are now accountable for sexual harassment in the workplace. That is now a legal duty. Employers cannot just brush it under the carpet. They can be penalised quite heavily for that.

We would have liked to have gone further with that, but in the House of Lords there were some concerns that we were going too far, so we had to take the third-party element out of it. It is a big piece of legislation, which, for the first time ever, puts the duty on the employer rather than the employee to deal with the issue.

**Q254 Dame Angela Eagle:** Just for people who are listening, that is a requirement to prevent harassment, is it not?

**Maria Caulfield:** Yes, not just sexual harassment, but any type of harassment. It does include sexual harassment, but it is harassment across the board.

The second area that we are looking at at the moment, which covers both the public and private sectors, is around whistleblowing. With my health hat on, we are doing a piece of work on duty of candour. There is a duty of candour to be up front when issues happen, whether that is sexual harassment in the workplace or other issues, which clearly is not working. We know that from various inquiries.



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In parallel, that draws on the work that the business team and Minister Hollinrake are doing. They have a consultation out at the moment to re-look at the whistleblowing framework. You are quite right: when women call this out, either they are penalised in the workplace or they feel like they have to leave. That is just not acceptable. We met with the APPG on whistleblowing only last week. We want to feed into that.

We are doing those two pieces of work on this. First, we have an Act of Parliament that puts the duty on the employer for the first time and, secondly, we are better protecting those who do call it out so that they are not being penalised for promotion or having to leave the workplace. There is work that we can do to better protect those who want to report it.

Q255 **Dame Angela Eagle:** The enforcer of that new Act on preventing harassment is the EHRC, is it not?

**Maria Caulfield:** Yes.

Q256 **Dame Angela Eagle:** Should it perhaps work with the FCA on this?

**Maria Caulfield:** I am due to have another meeting with the EHRC. It covers all sectors of employment. We have not particularly focused on the finance sector, but, if this Committee feels like it is a particular problem that is less publicly facing, I can certainly raise that.

Q257 **Dame Angela Eagle:** Those figures I read out are worse in the finance sector than they are in other sectors. I am not saying it is all hunky-dory everywhere else, but it seems to be worse in the financial sector, partially, I suspect, because of some of the structures, the bonus culture and a range of other things.

**Maria Caulfield:** Yes. It only became an Act of Parliament just before Christmas. We are very happy to work with them to advertise the fact that it is now law and to look at the finance sector particularly to see how that can be enforced.

**Dame Angela Eagle:** That would be very helpful.

**Baroness Vere:** Can I just add to that? The involvement of the FCA is really important. We need to make sure it is doing its whistleblowing properly. It recently published the findings of its 2021-22 survey with those people who had blown the whistle. It noted their experiences and also suggested some improvements. It is worth closing that loop to ensure those improvements are being seen within the system.

I would also be very interested in ensuring that the FCA is communicating out into organisations that, if somebody does not feel able to go to their own employer—perhaps it is a small company; perhaps they are not assured of confidentiality—the FCA is another route open to them. That may be something that we might want to check is available and that the communication is solid.



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Q258 **Dame Angela Eagle:** It is particularly bad that victims are having to take on board the prospect that, if they report it, they will lose their careers in the sector.

**Baroness Vere:** They need to know there is another way, yes.

**Maria Caulfield:** The finance sector is a small world. If you raise a concern in one company, will that be reflected when you are trying to find a job in another? We absolutely need to support those women and change that culture. Reporting it is absolutely the right thing to do and you should not be penalised as a result.

Q259 **Caroline Nokes:** Women are being penalised, time and again. I did ask the specific question of the FCA whether they could be the first port of call. They were clear that they could be, but maybe that is not well advertised enough.

I want to ask specifically about non-disclosure agreements. We know the Government have banned them in higher education. We heard the Prime Minister's comments on them at PMQs today. Maria, what is your take on whether the use of NDAs needs to be prevented in the finance sector when it comes to non-financial misconduct?

**Maria Caulfield:** The Government have been clear that they should not be used to hide things like harassment. There may be commercially sensitive reasons why an NDA is signed.

**Caroline Nokes:** Yes, we all get that.

**Maria Caulfield:** They should not be being used to hide harassment. In the NHS, again with my other hat on, we are encouraging them not to be used. Monitoring the number of NDAs that are being signed is something we are doing in other sectors. We could look at it in the finance sector, if there is a feeling that they are being used to hide some of this behaviour.

Q260 **Caroline Nokes:** Should the FCA explicitly be monitoring the numbers that are used?

**Maria Caulfield:** That would be helpful. As a Minister, I just do not know the extent of the problem in the finance sector. I am aware of the extent in other sectors, such as health and education. That is why we took specific action in higher education. In finance, I do not know the exact extent of the problem. It would be helpful.

Q261 **Caroline Nokes:** If you are prepared to take action in higher education, are you prepared to take action elsewhere?

**Maria Caulfield:** We would not rule out taking action elsewhere. If you look at the Act that I just talked about, the worker protection Act, there is a duty now not just to act on sexual harassment, or any type of harassment, but to prevent it. If NDAs are being used, to me that goes against the spirit of that legislation. I would not rule it out.

Q262 **Caroline Nokes:** Turning back to whistleblowing and the FCA's helpline,



is there a role to play for anonymity and the maintenance of anonymity?

**Baroness Vere:** Anonymity for whom?

**Caroline Nokes:** For the whistleblower.

**Baroness Vere:** Right.

**Caroline Nokes:** Yes or no?

**Baroness Vere:** I have no idea. It would depend on the circumstances. Anonymity from whom? In certain circumstances, you are going to keep the name of the complainant confidential, but that person would not be anonymous to the person to whom they are speaking. If you are talking about the person about whom they are making a complaint, yes, they can be anonymous from that person, but not the rest of the system, which needs to know who they are and who they work for. It does not work.

Q263 **Caroline Nokes:** I am going to use the example that in some organisations Crimestoppers runs lines for whistleblowing where anonymity is maintained. Should we perhaps see a system like that in the finance sector? Do you have an opinion?

**Maria Caulfield:** It is tricky. If you want to raise a general concern about cultural events that are happening, that may be appropriate. If there is a specific issue that needs dealing with, it is quite hard to uncover what is happening if that person remains anonymous.

**Caroline Nokes:** It can help build a picture.

**Maria Caulfield:** It can help. It is helpful, but at some point, if action needs to be taken on a specific issue, it will not always be appropriate.

Q264 **Dame Siobhain McDonagh:** I would like to look at parental leave and childcare. One barrier to women in finance getting back to work is the lack of available childcare. The Women's Budget Group says that the childcare industry has been left on its knees because of the lack of Government support. They say we are £5.2 billion short of being able to provide the extra childcare that the Government have promised. They compare us to Canada, which has invested £30 billion into its childcare industry. That is seven times what this Government have funded for the expansion of free childcare. Does our childcare industry have the funding to help women in finance get back to work?

**Maria Caulfield:** I am happy to take that. Childcare is an issue. We have talked to the women-led high-growth enterprise taskforce about this. Although they are trying to encourage more female entrepreneurs, the women on that taskforce have worked in finance for most of their lives. Childcare is an issue, but it is not the biggest issue that they say prevents women from staying in finance, progressing in finance or starting up their own high-growth businesses.



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Childcare is an issue. As you say, we are putting more money into childcare and providing more free childcare. I absolutely take the point that in this sector, with some of the highest-paid roles, some of those women will not qualify for that. As Baroness Vere has said, that is something that the Treasury team is looking at.

We also need to be aware of some of the other progress that we have made in terms of flexible working, shared parental leave and paternity leave, which has made a huge difference.

**Q265 Dame Siobhain McDonagh:** The evidence we have from this investigation is about how reluctant the financial services industry is about flexible or part-time working. Particularly if you are a woman who wants to get on, your career is over once you come back after maternity leave and ask, "Could I work flexibly? Could I work part-time?"

**Maria Caulfield:** The Government have just introduced the right to request flexible working from day one to try to address some of that. That applies equally to the finance sector as it does to any other sector. We are aware that some employers try to get out of that, but that is why the right to request flexible working is now being put through secondary legislation.

**Baroness Vere:** This is why getting more women into senior roles is so important: it does change the culture. This is a cultural issue. Improving the gender balance in financial services businesses does lead to a change in culture.

I met Amanda Blanc earlier this week. When you hear her talking about the way she thinks about Aviva, it is a step change from when I was in the City 25 years ago. We need to focus at lots of different levels. As Maria rightly says, there are lots of interventions that the Government can do, but the biggest driver of the things that you are talking about is going to be ensuring that we have greater diversity at senior levels.

**Q266 Dame Siobhain McDonagh:** Amanda Blanc has been a witness—I was going to say "victim"—at our inquiry. She is extraordinary because she is so unique and unusual, which suggests to you that many women without her level of tenacity and drive just think, "I will do something else," and the figures would seem to bear that out.

The Women's Budget Group has said that we are 50,000 staff short of delivering the childcare promises in the Government's strategy. They estimate that one in eight childcare workers is paid just £5 an hour; it will be £6.40 from 1 April. If you are a staff member on £5 an hour looking after young children, perhaps it would seem like a much better suggestion to go and work for a supermarket, earning almost twice that amount.

This industry relies on young women who are very poorly paid to provide the means by which women who may earn significantly more can go back to their jobs. What can we do to ensure that women in finance will have



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access to quality childcare that will make them confident to return to work?

**Maria Caulfield:** It is important to have access to childcare, but it is also important to have that balance around flexible working. I pointed to the changes that covid has made, and the fact that it is now acceptable, virtually in all sectors, including finance, to not be in the office every day and to do virtual meetings.

Q267 **Dame Siobhain McDonagh:** We have learned that financial services is particularly resistant to that view.

**Maria Caulfield:** They are, but it is changing. If you look at the occupation of office buildings in the City, for example, a lot of finance businesses are downsizing their office spread because they do not need it in the same way. That is for their male employees as well as their female employees.

There is a real change in culture. Childcare is important, but it is also important to make sure that flexible working option is available. That will really benefit women, even though it is all employees who, when they come for job interviews, as well as asking about the salary, are also asking about the working conditions and the flexible working options that are important to them. In a competitive market, employers are having to move with those changes, even in the finance sector, which—you are right—is one of the most resistant to that change.

Q268 **Dame Siobhain McDonagh:** Pregnant Then Screwed has surveyed 6,058 parents who were eligible for the new childcare scheme. They found that only one in 10 parents have been able to access it and only about half of providers will accept the Government's free childcare codes. Joeli Brearley, the CEO and founder of Pregnant Then Screwed, said it feels as though these schemes are "drafted on the back of a fag packet without proper consideration for the end user". Would you agree with that characterisation?

**Maria Caulfield:** No. Last year we extended the period when an employer cannot make someone who has been on maternity leave redundant. They now have an obligation to offer them an alternative vacancy. We are live to the issue. We are making those changes, so it is not an easy option for employers, particularly, to target pregnant women and those on maternity leave.

Q269 **Dame Siobhain McDonagh:** What happens is the woman herself says, "I want to go back to work. I can't find an adequate childcare place or a place I would be comfortable leaving my child, and I can't afford it anyway."

**Baroness Vere:** It is worth looking back to the spring Budget, where we made the biggest investment in childcare in England. It cannot happen immediately. We have to improve and increase the number of facilities available. That is why the reform is as important as the money.





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Changing the ratio to match what it currently is in Scotland, going from one in four to one in five, is important. That will improve the number of children you can get into a particular setting. The childminder start-up grant is also going to be helpful because not everybody wants their kid to go to a nursery. Sometimes childminders are a much better option. If you look at the money behind it, by 2027-28 we will be spending £8 billion a year on childcare. That is twice as much as we have spent in the past.

I absolutely accept that these things take time to put in place, as they always do, but we have the right plan in place, we are heading in the right direction and we are willing to commit the financial resources needed to create the sort of childcare that we are going to need in the future.

**Q270 Dame Siobhain McDonagh:** If you are a young woman on £5 an hour, you probably do not think you have the time to wait for those things to be in place.

**Baroness Vere:** Why is this woman on £5 an hour?

**Dame Siobhain McDonagh:** She is an apprentice.

**Baroness Vere:** She is an apprentice, okay.

**Q271 Dame Siobhain McDonagh:** Working mums have found a consistent problem with the childcare helpline, which is meant to help working parents access their childcare codes. Danielle, a mum from Norwich, said she was on hold for four hours and was then hung up on. Do you expect people who work and have young kids to give up that sort of time? Does the helpline need to be looked at?

**Maria Caulfield:** If you want to send me the details of that, I would be very happy to look at it. It is the first I have heard that there have been problems, but I am very happy to take that up.

**Q272 Mr Baron:** Good afternoon. Could I turn our inquiries, with your help, to the barriers being faced by women who experience health conditions in relation to their gender and the menopause later in life and how this affects their career progression?

Given the targets set in the women in finance charter, are the Government doing enough to support these women? After all, we have had reports that one in 10 employees working in financial services are going through the menopause and 25% of those are likely to leave the workforce at that point.

**Maria Caulfield:** The menopause is one of those areas where we are working across all sectors to try to improve the experiences of women. First, we are raising the profile of the issue. There were women going through the menopause who did not realise they were going through the menopause, and employers who, if they had employees going through the menopause, did not know what to do to help and support them.



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I have met with employers, banks in particular, that wanted to do the absolute best but were not sure what to do. You could speak to Dame Lesley Regan, who is our women's health ambassador. She has a charity called Wellbeing of Women, which does training for employers. They can be accredited: Parliament is accredited, and the civil service and the NHS are accredited.

Any organisation can do the Wellbeing of Women training, which provides simple advice about flexible working and uniforms, for example. Women in the finance sector do not necessarily always wear uniforms, but uniforms are a big thing. They also provide advice about the need to have proper ventilation in buildings and to have time off to see GPs. All of that makes a difference. We are not talking about huge changes that employers have to make to make a big difference.

The DWP has recruited Helen Tomlinson, who comes from a business background, as the first ever menopause employment champion. She is going around various organisations, supporting employers as to what the best way is to support women going through the menopause and making women aware of what support they should be asking for.

We do not expect women to ask. It is quite daunting to say that you are going through the menopause and you need time off to go and see the GP or whatever. It is a joint venture to ensure that women are more empowered. Employers have been coming to us to say, "What can we do to support the women who are going through the menopause? How can we better train staff to make them aware of some of the signs and symptoms?" It is not just hot flushes. If women have not been sleeping at night, they are going to struggle during the day. It is about being a bit more flexible about it.

That is one of our strongest stories from both a health point of view and an employment point of view. You are right: we are losing too many women who struggle because they are not sleeping. They feel like they are having a nervous breakdown, but they are not; it is the hormonal changes. They feel like they are not coping with life. These are often women who are at the peak of their careers, juggling childcare, elderly parents and a busy job. They will leave rather than recognise that the menopause is causing those symptoms. It is spot on, but we are providing help and support to try to tackle that.

**Q273 Mr Baron:** Thank you for that. I am encouraged by your response. May I just press you a little bit more, Minister? Recent figures suggest that only one third of women reach senior roles. We know that is totally inadequate. Senior women in financial services have told us that they experience significant ageism biases, which you have just recognised in your answer, when trying to advance their careers around the time they reach menopause. Some experience symptoms just as they become ready to take on senior leadership roles. City institutions then suggest that they have to leave the workforce on health grounds because they



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feel obliged to do so. What protections does the law offer in circumstances like this? Do they go far enough? If not, what are the Government going to do about it?

**Maria Caulfield:** You are spot on about the reasons why, although we are making progress, we struggle to get women into higher leadership roles. Very often the most experienced are the ones who would be going for those roles, and they either do not want to take on the extra responsibility because they are struggling with their health or they leave completely.

Q274 **Mr Baron:** Yes, and that is precisely at the moment that the menopause hits, typically, when women are thinking of taking on those senior roles. It is the stage of their career when they have had the experience; they have gone through the system; they are about to get there and then suddenly the menopause hits.

**Maria Caulfield:** Yes. There are other sectors where women can take time out and come back fairly easily. Finance is not one of those and neither is STEM. We absolutely do recognise the problem. I know Caroline, in her Select Committee, did look at mandatory menopause leave. We decided against that because there are—

Q275 **Caroline Nokes:** Can I just correct you on that? It was not mandatory. We asked for a trial of it. By no stretch of the imagination were we calling for mandatory menopause leave.

**Maria Caulfield:** Yes, the Select Committee did look at that. We did not support that because within the Equality Act there are already protections for sex and age, which would cover that discrimination. To your point, is that being used to cover those points? No, probably not at the moment. With the menopause leave, the worst thing we could do is say to a woman, "Take six months to a year out."

**Mr Baron:** No, you can't do that.

**Maria Caulfield:** They will struggle to return at the level that they should be at. We would rather, first, help the employers that are taking this seriously to provide support and, secondly, make sure that employers that are not taking this seriously are also doing so.

Q276 **Mr Baron:** Can I press you on that? I realise there is sensitivity about this issue and a balance to be sought. Having said that, you have just raised this point about those companies that you deem to be not doing enough. What more can you do to make sure they do?

**Maria Caulfield:** This work is fairly new in terms of supporting employers around the menopause. We have made huge progress in that, around raising the profile of the issue and enabling women to know that, if they are going through the menopause, a reasonable employer should be able to give them some time off or be flexible about their work environment.



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In the same way as with the gender pay gap and sexual harassment, there are those that are not stepping up to the plate and we will look at that, but the reception from employers so far, I have to say, has been pretty positive. They want to retain their best staff. The reason women have left up until now was that either they did not realise that help could be available or employers just did not know what to do. That is changing. I am hoping that we will see that those who are not supportive and who do not take their responsibilities seriously will become fewer and fewer.

**Q277 Mr Baron:** Trade bodies have reported to the Committee that, by and large, many financial firms are doing a good job at this, but there are others that are not. There is an inconsistency across the landscape. By one measure reported to us, there are 32 groups out there that could help in this field by providing support and advice, and helping women generally during this relatively difficult period. Given that inconsistency, can the Government do anything more to prevent such differentiation and promote fairness?

**Maria Caulfield:** Yes, absolutely. Helen is the menopause employment champion. She is going around different sectors and reporting back to Minister Mims Davies on those sectors that she has concerns about in terms of not supporting their female employees going through the menopause and, within those sectors, any particular organisations of concern.

We are navigating the sectors to find out who is being responsive and hearing from women themselves. One example that Helen gave at one of the Select Committees that we attended together was the airline industry. When one of the airlines, which I will not name, was changing its uniforms, it changed them so they were more conducive to someone who was going through hot flushes. It changed the uniforms for the air stewardesses but not the pilots, forgetting that women are pilots too. It is things like that. Helen came back and said, "We have to push them further on this", and she did. Simple changes like that make a big difference.

**Q278 Mr Baron:** They do make a big difference. It is the message that they send out as well, etc. In short, can you assure the Committee that the Government are going to keep focusing on this issue? It is important, particularly if we want to bring that one-third figure up when it comes to women in senior roles and to keep that heading in the right direction.

**Maria Caulfield:** Yes. For the economy and the country, we are losing our most experienced and skilled workers when, with a bit of support, they could still thrive in the workplace at the time when they are at the peak of their career. It would be scandalous if we did not address that.

That is why we are taking it so seriously both from an equalities perspective and from a women's health perspective. It is a feature in the women's health strategy that we need to support women in the workplace with the menopause and with menstrual problems. Those are



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the two points in women's lives when they struggle most in the workplace, along with pregnancy, and we want to address those.

Q279 **Chair:** I have a couple of other questions, if I may. We have talked a lot about non-disclosure agreements, but has anyone come across something called a privileged investigation? This is often used internally when there have been allegations of harassment. Could you go back and ask your officials whether they have come across it and write to the Committee with what you have heard about those?

**Maria Caulfield:** Yes.

**Baroness Vere:** We will write to you.

Q280 **Chair:** My second question is around this important point about recruitment. Minister Caulfield, you mentioned that people are interested in what the flexible working policy and salary range of a job would be, and the interventions that the law could make to prevent that from leading to people being unconsciously excluded. One of the pieces of evidence that we heard in our roundtable was that it can seem very awkward to ask a firm what its maternity policy is. Should that be something that employers are required to provide to all job applicants ahead of time?

**Maria Caulfield:** As part of the work we are doing around pay transparency and a potential pilot with organisations, we can certainly look at that. It is a good point. As well as demonstrating from the outset what the pay bands for a specific role are, we could include the flexible working and maternity policies so that women—it will be women—are not having to ask that at interviews and feeling like that puts them at a disadvantage. Where a man will go into an interview and automatically ask what the pay scale is, a woman has to ask, "What about maternity leave? What about parental leave? What about flexible working?" I can certainly go back to the team and ask, as we are setting up this work, whether we could include that as well as the pay transparency element.

Q281 **Chair:** Do you have any additional initiatives on paternity leave, given how low paternity pay is compared with the pay in some of these financial services jobs?

**Maria Caulfield:** We have not at the moment. That is the honest answer.

Q282 **Chair:** Was there anything else that you came armed to tell us, announce, defend or celebrate?

**Mr Baron:** Is there anything we should have asked but have not?

**Baroness Vere:** You want us to do your jobs for you.

**Maria Caulfield:** Although it is not finance, I would mention the STEM returners project that we are doing, which is specifically focusing on getting those experienced women who did leave the STEM sector back



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into the workplace. We opened up two cohorts towards the end of last year. Those results are quite exciting for getting those women back into that sector. I would be keen to look at that for finance as well, because we are losing women and it is very difficult for them to get back in once they have left.

**Q283 Caroline Nokes:** I just want to pick up on some of the points you made, Maria, around flexible working. The 2019 Queen's Speech committed to an employment Bill, which could have included action on flexible working. Are you pushing for any legislative opportunities to bring that back?

**Maria Caulfield:** We have not done so as yet. We have introduced the ability to request flexible working from day one. There will be some secondary legislation attached to that. We have not specifically gone any further than that.

**Caroline Nokes:** Can I just put it on the record, very explicitly, that the Women and Equalities Committee did not call for mandatory menopause leave and we did not put a timescale around it? It is quite wrong to indicate that we asked for six months' mandatory leave. We did not.

**Chair:** It is on the record. May I put on the record my gratitude to you for coming along—particularly to you, Baroness Vere, when clearly you have a nasty cough? Thank you, Maria, for your evidence and for occasionally stepping into the breach. I am going to draw this session to a close.