



# Treasury Committee

## Oral evidence: Work of the Financial Conduct Authority, HC 417

Tuesday 10 December 2024

Ordered by the House of Commons to be published on 10 December 2024.

[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Glen; John Grady; Dame Siobhain McDonagh; Dr Jeevun Sandher; Yuan Yang.

Questions 95 - 193

### Witnesses

[I](#): Ashley Alder, Chair, Financial Conduct Authority; Nikhil Rathi, Chief Executive, Financial Conduct Authority; and Stephen Braviner Roman, General Counsel and Executive Director, Legal, Risk, Compliance and Corporate Governance, Financial Conduct Authority.

### Examination of witnesses

Witnesses: Ashley Alder, Nikhil Rathi and Stephen Braviner Roman.

Q95 **Chair:** Welcome to the Treasury Committee on Tuesday 10 December 2024. Today, we are looking at the work of the Financial Conduct Authority. This is the first time we have had the FCA in front of this new Committee since the election. I am delighted to welcome the chief executive, Nikhil Rathi, who is with us today. He is joined by Ashley Alder, chair of the Financial Conduct Authority. They are joined by Stephen Braviner Roman, general counsel and executive director of legal, risk, compliance and corporate governance at the FCA. It is quite a long list there, Mr Braviner Roman.

Today, this is one of our regular sessions with the FCA and I am really pleased to welcome you, because it has been an eventful few months. We have had the general election, the Budget and the Mansion House speech. You are also part way through your transformation programme. Could I start, Mr Rathi, by asking you how the transformation programme is going and whether you feel you have achieved what you set out to achieve by now?

**Nikhil Rathi:** Thank you, Chair. We have been engaging in a multi-year transformation in the light of the fast-changing digital landscape in



financial services recommendations that came to us a number of years ago from various reviews, and also adjusting to the new legislative environment. We are pleased with the progress that we have made. There is always more work to do and an intense focus to keep improving our operational effectiveness, but I would draw out a few things for the Committee's attention.

The authorisations gateway has become much more rigorous. Also, we are meeting our statutory timelines in about 98% of cases. We learned from past experience that, when things have not gone so well or things have gone wrong, those issues have often arisen at the authorisations gateway. We have moved that very considerably.

We have stepped up quite significantly our use of data and technology. That is most visible in the way we tackle financial promotions. Three years ago, each year we would be asking for about 570 to be amended or withdrawn. So far this year, that number is 16,000. That is because we have invested in our data, technology and other things that enable us to get to the highest-risk situations faster and go after them faster.

We have significantly diversified our organisation. A few years ago, we had under 2% or around 2% of our workforce outside London and the south-east. Now, it is 10% across Leeds and Edinburgh. We are very excited about the brilliant talent that we are attracting into the organisation from all around the UK. I have always felt that was important because we are a regulator for the whole of the United Kingdom—of course, anchored here in London as well.

As we have developed the organisation, we have brought a lot of external skills into it. Around half our leadership team has financial professional services experience, which is relevant for the nature of the work we are doing.

Those are some of the highlights, but I would never say that work is done. We must always stay very focused on continuing to improve our operational effectiveness in a fast-moving landscape.

Q96 **Chair:** Of course, you have a new strategy that will be covering 2025 to 2030. You have had a lot thrown at you. We have just seen your response to the Chancellor's remit letter to you, which we will cover in more detail later. What will you see? What will you have to change significantly in order to meet the remit in the letter and what do you plan to cover in your next five-year strategy? I will come to Mr Alder as well on this. Mr Rathi.

**Nikhil Rathi:** I am really grateful you have asked about that. The accountability mechanism, particularly through this Committee, is very important for us to make sure we are prioritising our resources and focusing on the right areas. As you said, we have a very broad remit. It grows quite considerably year after year. We have "buy now, pay later" and other things in our remit. There is also some strategic focus that we



## HOUSE OF COMMONS

need to bring to the organisation. What we will be focusing on—it is covered in the remit letter—is essentially four things.

The first, picking up the point we just covered, is continuing to improve our operational effectiveness, and our use of data and technology. That remains a No. 1 priority, certainly from my perspective. I know Ashley also agrees with that.

You have seen the Chancellor's letter to us. We also have the new secondary competitiveness objective. We want to make sure that growth innovation is a key strategic pillar that cuts across everything that we do. I am sure we can get into the detail of what that means.

The next is consumer resilience. This is a very significant moment in the UK to think about reform of pensions, reform of the savings landscape, and how we make sure that consumers are saving adequately and getting the returns they need to support their financial wellbeing in their retirement. We have a significant role to play, along with others—this is a joint effort; it is not just the FCA. That is a very significant piece of work for us, but it is also with a focus on vulnerable consumers. We want to take advantage of all the technology, but we will have to make sure that people do not get left behind.

Thirdly, we stepped up very dramatically in the last few years on tackling financial crime. We have a record number of proceedings in the courts at the moment. Again, we are one of the players in the system, but we think that meets a number of our objectives. It helps with our growth objective because the costs of financial crime are a drag on growth and competitiveness. It helps with our market integrity objective and with our consumer protection objective. We envisage stepping up considerably on financial crime.

Those are the things that we are prioritising among all the things that we could prioritise. That is what we are proposing to focus on in the next five years.

Q97 **Chair:** Mr Alder, is there anything that you want to add as chair?

**Ashley Alder:** As to the background to the strategy and where we are at the moment, we are at an inflection point, not least if one looks at the Chancellor's remit letter.

**Chair:** Yes.

**Ashley Alder:** I have written down here, to be absolutely accurate, what is key in that letter. That is: how to enable informed and responsible risk taking by firms and customers, recognising that there are difficult trade-offs to make, and "I commit to the Government supporting you in this." That, in essence, is the challenge.

Looking at regulators across the globe, particularly in the large financial centres, most of them are asking themselves similar questions, or



## HOUSE OF COMMONS

Governments are asking them, including in the EU. Nevertheless, here, if anything, it is a more high-profile, direct question about the relationship between regulation and growth than it is elsewhere. So that is where we sit. What crosses into the strategy that we are developing is this key question on the intersection between regulation and growth.

If you permit me, it will take two to three minutes to go through, in practice, what is happening on the ground, and what is likely to happen in relation to this. There is a significant strand of work around growth to do with reform of the capital markets at large. In our view, there are two components to that. One of them is to do with enabling more UK businesses and others—but principally UK businesses—to get into the shop window for investment. That goes to the changes to the listing rules that have taken place so far, a project with the acronym PISCES, which is basically about the ability of sections of the public to invest in private shares and so on. That is the shop window.

Probably the more difficult piece is under the heading “Mobilising domestic savings”, whether pension savings or private savings.

Q98 **Chair:** Lazy capital.

**Ashley Alder:** Absolutely. The statistics come out frequently on, for example, the amount of cash as a proportion of overall savings or retail savings or public savings. The question then is, effectively, what the regulatory levers are that one is able to pull in order to mobilise savings. That is a longer-term project. Nevertheless, the work that we are doing on a new type of advice to fill the gap that arose, particularly post RDR when it comes to consumer investments, is part of it. Reform of the PRIIPs rules is also part of it. That is about a better type of, and more decision-useful, information to consumers. That is on the demand mobilisation side of life. So there is a lot there to unpack. Clearly, there is also a big conversation on pensions, which featured very heavily in the Mansion House speech.

When it comes to standards for firms, my view and Nikhil’s view in the organisation is that standards for firms need to remain high. I think I said this at a previous session. This is not a return to pre-crisis light touch in the sense that that was happening at the time, because, frankly, that ended in tears, not just in the UK but elsewhere.

**Chair:** Yes.

**Ashley Alder:** When it comes to firms, the overall view of the board and the organisation is that standards must remain high. However, there is a very, very, very good argument around proportionality. We have put out a call for input, for example, in relation to the handbook. As we move towards an outcomes-based approach, what does the community, both on the consumer and firm side of life, think about a shift from outcomes and, arguably, a simpler, shorter rulebook, ultimately? So, proportionality is important. There are a few projects we could get into that are directly



## HOUSE OF COMMONS

on that. Then, of course, there is efficiency, and Nikhil has touched on that. That is a large part of transformation: to make sure the organisation is more efficient.

I would mention, in the context of all of that, consumer duty.

**Chair:** Yes. We will come on to that.

**Ashley Alder:** Consumer duty is landmark. Again, when I was viewing the FCA from outside the UK, it is a global thought leader. The approach to consumer duty is iterative and it is developing. It is really important, because a lot of the discussions on growth, consumer protection, and whether they are in any way in conflict, centre on how we develop consumer duty. From my perspective, that is the landscape.

Q99 **Chair:** We will unpack some of that. One of the challenges here is that it is like a pushmi-pullyu that you have to deal with—a consumer protection right while you have this growth objective. Your response to the remit letter is quite interesting in that you pull out some of that tension. On balance, can you actually do both well, Mr Rathi?

**Nikhil Rathi:** I think we can. It requires us to have a good engagement with this Committee, with other Committees in Parliament that scrutinise us and with the Government. Parliament has asked us to deliver three primary objectives: consumer protection, market integrity and competition in the interests of consumers. It has added a secondary objective to that, which we are embracing.

Q100 **Chair:** Are you saying the Government have added the secondary objective?

**Nikhil Rathi:** It is in the legislation as well.

**Chair:** Yes.

**Nikhil Rathi:** I believe it had cross-party support in the last Parliament.

Q101 **Chair:** It has certainly been doubled down on by the new Government.

**Nikhil Rathi:** We have always had a remit letter from the Government that requires us to take account of those elements of their economic policy that they particularly prioritise. That is part of the framework and there is a very strong emphasis on growth, as you saw in the Chancellor's letter.

What is not defined in the legislation is the distance between primary and secondary objectives. That is precisely what this accountability framework, I think, is all about. The way we can navigate this is being very open with you about our evidence base—what we are hearing. I know you took evidence from a range of industry and consumer groups last week. You heard the different perspectives.

**Chair:** Yes.



**Nikhil Rathi:** We lay out our evidence before you. We try to surface some of the choices around risk and some of the trade-offs, and seek to secure as broad a consensus as possible. I recognise in Parliament and the Government that there will never be 100% consensus, but as broad a consensus as possible gives us the strategic direction we can go in. Alongside that, first and foremost, we should always stay focused in continuing to improve our operational effectiveness. That goes without saying.

**Chair:** We are not planning to go too much into operational effectiveness today, but on the issue of this tension, I will turn to Mr John Glen MP.

Q102 **John Glen:** Thank you very much, Chair. Can I focus on the risk trade-off, if you want to characterise it as that? One of the big challenges in the Mansion House speech was when the Chancellor spoke about the post-financial crisis tendency to develop a system that has tried to eliminate risk taking. Do you agree that that is what has happened?

**Nikhil Rathi:** Post the financial crisis, there was obviously a huge agenda around the world to reset regulation right across the financial system, particularly in banking, but everywhere. That is because risk had not been managed effectively before 2008 and we saw the consequences of that around the world.

We have not eliminated all risk taking but there is a spectrum as to how far you wish to go. Obviously, you are very familiar with this. When you were a Minister, we used to discuss this trade-off regularly.

**John Glen:** We did.

**Nikhil Rathi:** If I take the listing reforms, which Ashley talked about, we led that process from the FCA over the last year or 18 months. We have moved the listing rules in the UK radically to make sure we are aligned with our competitor jurisdictions. There was a lively debate. A number in the market welcomed it. Pension funds were a bit more reticent because they were worried about the shift in investor protection. All the way through that, we said very openly that this will mean that more things will go wrong over time. I do not know when, but at some time in the next few years one or two more things will go wrong, but that is necessary to shift the risk appetite that the economy needs for growth.

The test will come when those things do happen and what the tolerance is, here in Parliament, for some of those situations when they crystallise.

Q103 **John Glen:** To examine one of those that happened on my watch with London Capital & Finance, there was a situation where there was a—

**Chair:** Mr Glen, can you, perhaps, explain what you were doing on that watch?

**John Glen:** I was the Economic Secretary for four and a half years. Therefore, we had a lot of interaction—me as a Treasury Minister—with



## HOUSE OF COMMONS

the FCA. That was a situation where there was a market failure. It was deemed to be partly the responsibility of the FCA to have stopped that from happening. What happened was that there was an unregulated activity of an FCA-regulated firm. I, as the Minister, got a judge to evaluate that and, essentially, compensation was granted, and it fell on the public purse.

I became responsible for that decision. What I think you are pointing to is a situation where something could happen when one of your 42,000 firms is regulated but there may be unregulated activities, which, for the public, is difficult to understand. What I am trying to get at is what sort of cover do you need or should you reasonably expect from this Committee and Parliament such that, in that situation again, we would not be in a place where the taxpayer will be culpable? That is really the bottom line of this. Unless we define that cover, we are not going to get into a situation where you can move that forward.

I just wonder if you could reflect on what happened then, how we can avoid that happening and what actually needs to happen in terms of rules changing and public understanding moving. Of course, we also have a massive lobby of people out there who say, "Well, the FCA failed. It's an FCA failure. Somebody's got to pick up the tab." How do we get this trade-off and explain it to the public in a way that they can understand so that we do not have that sort of thing happening again? Or was what we did the right thing to happen and should it reasonably happen again in that way?

**Nikhil Rathi:** First, we, as an organisation, accepted the recommendations of the Gloster review.

**John Glen:** Of course, yes.

**Nikhil Rathi:** Dame Meg asked me about this at the start. We have implemented those recommendations, particularly around the authorisations gateway and the way in which we monitor the financial health of firms. There is a trade-off there, because the more intrusive we get, the more you hear from industry groups that this is onerous and creating a compliance burden. I think you heard a little bit of that last week from some of the trade bodies.

**John Glen:** We did.

**Chair:** Mansion House was rife.

**Nikhil Rathi:** That is also why we wanted to invest significantly in our data and tech to be able to spot these things proactively. But you are right: we cannot stop everything. If we allow more risk into the system, sadly in the financial services industry—not just here, but around the world—it does sometimes attract people who do not have the best of intentions and we will not be able to stop everything.



## HOUSE OF COMMONS

The way through this—and what we tried to do at the start of our three-year current strategy, which is coming to an end—is to set outcome metrics. For example, on financial and economic crime, the previous Government had an economic crime plan; I am sure this current Government will update it shortly. That set overall metrics for where they wanted to get to on the overall level of economic crime. The answer was not zero. The answer was, “We want a certain amount of reduction.” We are then contributing to that overall metric and we should be held accountable for how much we contribute. That does not mean that we are going to stop everything.

**John Glen:** No.

**Nikhil Rathi:** For example, in the unregulated space, we issue several thousand public warnings a year about situations where we see unregulated firms, sometimes firms from overseas, seeking to target UK consumers. It is simply not feasible for us to prosecute that many cases; nor will the courts be able to cope with it. We have to prioritise our resources. We have judgments about what we think is most harmful or where we think the harm might hit soonest, and we go after those cases. Not all those judgments will be perfect or right. Again, when taking you through how we make those prioritisation choices, those resource choices, hopefully, a degree of acceptance that you are not going to stop everything will help us move the debate forward.

Finally, in areas like crypto, again Parliament has not banned it. I know this has been something that this Committee looked at. Dame Harriett looked at it a lot in the last Parliament. We have been very clear all the way through.

**John Glen:** Yes.

**Nikhil Rathi:** Anyone who puts their money in these products must be ready to lose everything. Compensation should not and will not be available.

**Chair:** You were very clear about that last week.

Q104 **John Glen:** Can I move on from that? I want to come to Mr Alder’s speech where you set out, as you mentioned in your opening remarks, the default to cash savings and consumer readiness to take on risk. Arguably, what has happened, because we do not have the advice guidance boundary in the right place, is that we do not have a comfortable position where consumers can put money into equities, and financial institutions are not ready to set those up. They then go on to TikTok, as we discussed last week, and take extraordinary risks with things, as Mr Rathi has just said, where you put warnings out.

It is pretty urgent that we have a better public understanding of the risk to consumer wellbeing further on of putting it in cash. How do we get to a place where our banks and financial services providers feel comfortable





## HOUSE OF COMMONS

marketing products with a high level of risk and non-dependence on cash, for the good of the economy that the Chancellor was setting out at Mansion House but also for the good of the consumers' wellbeing? How do we get to that point? What is the timescale and mechanism for that to happen? It seems to me it is the priority of the Government and a priority for consumer wellbeing too.

**Ashley Alder:** That is a very good question. As a preface, the discussion about risk needs to evolve, because I do not think there is a sufficient discussion about the varieties or buckets of risk we are talking about and, within each bucket, who bears the risk. There is also a second point, which Nikhil quite rightly was talking about—aspects of risk, which often feature in discussions about the FCA—which is fundamentally firm failure.

**John Glen:** Yes.

**Ashley Alder:** That is, again, a very different type of risk from investment risk. Your question is really about investment risk and how that features within the overall policy development.

**Chair:** Yes.

**Ashley Alder:** I mentioned earlier the demand side, capital mobilisation and similar. I cannot give you a timescale, frankly, because there are a number of interlocking pieces. At the very basic level, there is a question of financial literacy and financial education in the UK, which is: there's a lot to be done.

Q105 **Chair:** And culture.

**Ashley Alder:** Yes. We are fully aware of that. Obviously, we are not the only organisation—in fact, we are not the principal organisation—involved in that area, but it is fantastically important.

Q106 **Chair:** Mr Alder, you worked in Hong Kong.

**Ashley Alder:** Yes.

Q107 **Chair:** Can you spell out the difference of attitude there to here?

**John Glen:** Or what is in between.

**Chair:** It may be that.

**Ashley Alder:** It is a very different cultural background and it has a population that, by and large, is extremely attuned to the risks and characteristics of direct equity investment.

**Chair:** Very different.

**Ashley Alder:** It is very, very different from the UK, not least because there is relatively little direct exposure now. In terms of the building blocks, including consumer duty, which we might get to, it is reforming regulation or pursuing reforms that create the tools that the public who



are retail investors need in order to have access to the information necessary to take responsible risk taking—incidentally, risk taking is not outlandish risks; this is about participation in equity markets and similar. Giving the population those tools is incredibly important. The new style of targeted support between regulated advice or current regulated advice—that style—and guidance is really important. How the consumer duty enables firms to communicate a lot better with their customers, including prompts to take action in their interests, is part of it. Consumer composite investments, effectively the replacement to the PRIIPs regime, is a huge opportunity across the ecosystem to ensure that, again, consumers have useful informational tools on which to make decisions.

**Q108 John Glen:** For the wider benefit, would you like to explain that the PRIIPs regime was deficient in that it was a set of rules nobody used obligating firms to produce key information documents that nobody found meaningful?

**Ashley Alder:** Or the information was not useful because illustrations were not particularly useful to decision making. The reform of that, for the UK, is incredibly important—that package of measures to provide the tools, including consumer duty aspects, which consumers need to think about investment. To make one important point here, there may be a conflation between an objective to mobilise domestic savings, whether pension or otherwise, in order to invest in UK enterprise.

**John Glen:** Yes.

**Ashley Alder:** That objective is fine in itself, but we must not conflate that with the principal objective to ensure that consumers have the tools available to them and the opportunities to ensure that whole-of-life financial returns are better than we can see now. That is really about later life sustainability, the pension system and so on.

Provided that is seen as the single most important objective, the fact that the mobilisation of savings can then direct some additional capital into UK enterprise, through the shop window of listing rules, reform and suchlike, is the objective. It is a set of interlocking measures.

**Q109 John Glen:** That is helpful. I have one final question, Chair, back to Mr Rathi. In terms of the way that the FCA operates in the approval of firms, you talked in your opening remarks about authorisation and associated risks. If we take another model, we are always trying to find out where, internationally, we should look. Broadly, if you go to the SEC, they will approve somebody very quickly but tell them, six months further down the line, “We’re going to come after you and review everything.” Broadly, here, we go through a much longer process of verification before we approve somebody. International financiers and people in the markets would say that is a frustration.

Have you ever fundamentally thought, “Do we do it the right way round? Would we be doing it better if we approved things more quickly but came



## HOUSE OF COMMONS

down very hard, and people knew that?" Would that be a better stimulus for getting more activity in London and in our markets?

**Nikhil Rathi:** I can understand why people make comparisons to the US, because certainly on the wholesale financial market it is the major competitor for us and it is our biggest trading partner. The SEC obviously does not have a consumer protection objective; it has an investor protection objective. There is a separate Consumer Financial Protection Bureau. It has a system that relies on litigation—an adversarial system in the courts—much more than the UK.

When we think about competitiveness in the UK, one thing we do hear from firms is, "We wouldn't want to move towards a class action, very litigious, very expensive approach," because, while you may have a few more compliance people in the UK, you don't have anything like the armies of lawyers that you would need when you operate in the United States.

Going back to the case you raised, if we miss things at the authorisation gateway, the potential for harm is very significant. It takes a long time to get a non-co-operative firm out of the regulatory perimeter, once they are in, because we have to follow a whole series of legal steps to do that. That can take a number of years.

Finally, on authorisations, we publish the data quarterly now. Documents and applications are moved pretty quickly through the system, often within 25 to 30 days. We have to keep improving; we are digitising there. I would not move to a situation where we allow everything in completely and then try to get it out afterwards.

**Chair:** Thank you. That is very helpful.

Q110 **Yuan Yang:** Mr Alder, I wanted to ask a bit more about the appropriate level of participation for retail investors. In your previous speech, you mentioned that the different investment culture in Hong Kong that you saw was one of much higher retail participation than in the UK. People were much more aware of the market and risks involved. The converse of that is across the straits in mainland China. The regulators there talk about how their high level of retail participation poses risks because of the level, for example, of financial influences, bandwagon jumping and the fact that lots of household investors are not very protected and may not be aware of the level of risks they are taking on. They may be at a different part of that spectrum.

My question is: for the UK and the level of literacy and sophistication of retail investors right now, what is the appropriate level of participation, and how do you gauge that?

**Ashley Alder:** That is a really good question. I recognise your description of Hong Kong and mainland China. Very heavy retail participation in mainland China's stock markets brings its own issues with



it, particularly around expectations of returns, which may not be realised in practice.

In the UK, it comes back to the answer I gave earlier. Certainly, neither we nor anybody else is after an atmosphere of unrestricted risk taking for retail. That is why the tools that we have in mind—which are now progressing and have also been fairly well discussed with the Government, the public at large and firms—are absolutely critical to enable those retail investors, who currently may not be investing, to have the best information available to them, or the right information available to them, in order to make responsible decisions. I go back to the remit letter the Chancellor wrote to us: “informed and responsible risk taking”. We agree with that as a principle. The question is how you do it. That is why it sounds technical, but the advice, guidance and boundary work we are doing, in my view, not alone, is really important.

Secondly, coming back to consumer duty, that is fundamentally about making sure that the sorts of financial products that are offered to retail investors and savers, including credit products, are those that are needed at the right time for retail investors and others.

As part of the regulatory framework that informs the way in which retail may behave and the options available to them, it is a combination of consumer duty, informational regulations and similar.

**Q111 Yuan Yang:** When you think about the groups of people who are ready or for whom it might be appropriate to take on more risk, do you have certain demographics or parts of the population in mind? For example, when you talk about equities investment, it brings to mind those who have enough of a lifespan to enjoy the long-term holdings of those investments. Are there any demographics or any particular sub-groups that would most benefit from this?

**Nikhil Rathi:** Perhaps I can give you some data. We run a financial life survey every couple of years to try to get a sense of how people are planning for their financial wellbeing. I talk about engagement and participation. We have two problems. One is that people are not engaged in their long-term financial wellbeing, even before they decide how much risk they will take. Our latest financial life survey says that 75% of defined contribution pension holders over the age of 45 do not have a clear plan for saving for their retirement—before they even decide whether it is equities, bonds or anything else, they just don’t have a plan. Ninety seven per cent. of people who are auto-enrolled into pensions are just in the default fund; they have gone straight into default. Auto-enrolment has been a real success story, but people are not engaging with what their money is invested in.

Clearly, the younger you are, the longer the life horizon and time span you can think about, you should be able to take more risk at a younger age, with the modest pension savings—the long-term savings—that you make. Then there are also other pressures, whether it is saving for a



## HOUSE OF COMMONS

home or rent, or other things. Clearly, later in life, there probably needs to be a degree of rebalancing. To an extent the decisions will be based on people's different circumstances because it will depend on what other savings wealth they have. They need to think about everything in the round.

One of the things we are doing with targeted support—a paper will be coming out later this week on how we can incentivise the use of targeted support in pensions advice—is moving away from saying that, every time you give advice, it has to be optimised for your personal circumstances because we are worried that the cost of accessing that advice has become prohibitive. What we will start to say is, "For people like you, this might be the right thing for you to do."

Q112 **Chair:** Guidance.

**Nikhil Rathi:** Yes. That does mean—this is again the point about risk, Chair—that not everyone will get the perfect piece of advice if we allow that in, but we do think the mass market might get a much better outcome, even if everybody is not getting something completely optimised.

Again, the Government are very engaged on that. We would like a good risk discussion with you as to whether that is acceptable to you, as Parliament, as well.

**Ashley Alder:** That cuts into the first phase of a new style of advice. The "people like you" aspect is particularly directed to that critical decision about pension decumulation—the point at which you have that choice. Do the population currently, or those making that choice, have available to them the advice resources that are affordable? The answer to that is no, right now. The project, effectively, is about both commercially viable and affordable advice to help those making decumulation decisions, particularly in the first phase.

Q113 **Yuan Yang:** You mentioned before the need for financial education and literacy. Is that part of a discussion the FCA is having more broadly within the Government about how to start to include that in schools and in school curricula?

**Nikhil Rathi:** I addressed this in a speech I gave at the charity StepChange in Leeds in September on financial inclusion, and also how critical financial inclusion is to growth and competitiveness. There is an important connection to make there.

There are two issues. One is numeracy and the other is financial education. If we look at school leavers in the UK this summer, 40% of them did not get a full pass in GCSE maths. Then if you look at the workplace and the data on how many working-age adults understand percentages, an APR or what a percentage for a loan or a credit card is, it is concerning. When people say we should be compared to Singapore,



## HOUSE OF COMMONS

their equivalent is that something like 92% got a pass. It is a very different starting point.

Then there is the broader question about financial education and financial products, understanding that at a younger age and how you handle money. A curriculum review is under way. The Education Committee in the last Parliament did a really good report on this, recommending that financial education should make its way into the curriculum. We can certainly see the benefits of that, although when I talked to my colleagues in the Department for Education and elsewhere, obviously teachers have a lot of pressures on them to tackle a lot of things. You have to train the teachers. Then you would have to have enough teachers and resources to be able to do this effectively. So, I understand that there are some hard choices there for the Government.

**Chair:** Thank you. Thank you, Ms Yang.

Q114 **Chris Coghlan:** Mr Rathi, you make an excellent point on financial education and the new curriculum. Are we overcomplicating this? From my perspective, with financial literacy, if you look at equities for any 15-year period over the last 120 years, they have outperformed pretty much every other investment class and you have made a fantastic return. The issue with that, of course, is that, within any one-year period, you could have lost 30% of your money, but investing in the index generally outperforms pretty much everything else. You do not need sophisticated financial products in order to achieve that. Many financial advisers advise, "At your age, you should invest a percentage in investment bonds and the rest in equities." That, in essence, is what a huge amount of financial advice boils down to.

What you are saying sounds really complicated as to the issues around financial literacy and everything else, but I am slightly struggling to understand where the issue is here. Is it a question of there being too many complicated financial products out there in the market? Is it that most people use online banking? The high street banks are not offering equity products as part of that, so there is a convenience issue. What is the role of the regulator within this? I am struggling to understand why it is so difficult to show people that there is an attractive investment class for their long-term retirement out there. It is actually quite simple how you invest in equities, provided you are willing to accept the fact that you may lose a significant proportion of your money in any one year. Provided you buy and hold, you should make that back.

**Nikhil Rathi:** If I take the United States, around 38% of households in the United States own direct equities. Here it is about 11% to 12%. There is a huge cultural difference. You have a culture in the UK of people managing what they call their 401(k) plans, and that is their long-term savings vehicle.

**Chris Coghlan:** Yes.



**Nikhil Rathi:** I believe Barclays produced a report on this. I am using the stats from recollection. They estimate about £450 billion is in cash in the UK, probably in low interest or no interest accounts. Some of that will be needed for liquidity and transaction purposes, but many people hold these large amounts of cash, which, during a period of high inflation, is inflating away in value and they are missing out on real returns in markets or other asset classes.

On risk aversion, that existing anxiety, the understanding is that it may feel simple but it is not so straightforward.

We also have a world now where, in the UK, in the FCA, because we obviously oversee the wholesale markets too, we track the scale of volatility. We look at four to five standard deviation moves, i.e. where there has been a very big move in markets. The number of those moves has multiplied in the last few years. Going back to August this year, the Nikkei index in Japan fell 12% in one day, the second largest fall since Black Monday in 1987. You have these very sharp moves. The tech stocks in the US can sometimes fall by the scale of close to half of Ireland's GDP in an afternoon. So, consumers need to be really resilient. When you go online and look at your portal, you could suddenly see that your portfolio has gone down by 10% or 15%. That can be quite life-changing for people. Saying to people at that point, "Oh well, you've got to take a 10 to 15-year view" requires a different perspective than what might come naturally to people. That is part of the conundrum we face.

Finally, we have seen growth in markets beyond equities: infrastructure as an asset class; private markets as an asset class. You are seeing that move into retail in other jurisdictions around the world. We have started to move into long-term asset funds—

Q115 **Chris Coghlan:** You have bigger liquidity issues with that.

**Nikhil Rathi:** Liquidity issues, yes. Also, you see some quite strong returns over a longer time horizon. There is a range of choices and that is why people need some support and guidance, I think, to be able to navigate what might be appropriate and right. That is before we even get into a debate about, "Is it UK or is it global?"

Q116 **Chris Coghlan:** Yes. How do you prevent the FCA from becoming liable if you start urging people to take more risk and then they lose 30% of their money next year? Is that a risk for the FCA?

**Nikhil Rathi:** Absolutely. It is good that we are having this discussion. The Chancellor's letter is the first time I have seen a Minister put in writing what she did. The Government's position is that to deliver growth there needs to be more responsible risk taking in society. The Government recognise some things might not work out and they will stand behind the regulatory system, when that happens, and allow the mechanisms in place to work. It is important that we have that discussion



## HOUSE OF COMMONS

with this Committee as well, because we will never be able to prevent those kinds of market moves or those kinds of losses when they come.

**Q117 Chris Coghlan:** Yes; education is needed. Finally, Mr Alder, with this lazy capital, you were saying we should put it to more productive use. There is a tension between whether that is boosting UK investment versus international investment. Obviously, the FTSE 100 has significantly underperformed over the last five years or so. How is that tension resolved or how do you get pension funds to invest more in the UK when it looks as if there are better returns elsewhere? What is the role of the regulator with that?

**Ashley Alder:** Yes, it is a tension. You can see the debate about the Mansion House Compact from last year, which was firms or asset managers signing up to voluntarily invest a proportion in the UK. It is difficult because, again, there is a fiduciary responsibility, not least in trust-based pension schemes. The trustees are certainly having a conversation about how they intersect with a Government ambition to mobilise capital for UK investment.

Our stance at the moment, as a regulator, is that we fully recognise the need to broaden the availability of businesses in which to invest. I mentioned that earlier in the context of the supply side, PISCES, listing rules reforms and so on.

We fully recognise—this comes under the value-for-money framework for pension funds, assuming they will consolidate, which is certainly the policy—that the prompt to move away from a focus on cost to returns is effectively saying, “In order to do that, you invest across a broader risk spectrum. You don’t go all in on illiquids, but certainly they could be a proportion of what you invest in.”

The Government have pointed to examples in Australia and Canada, in particular—not simply Australia; there are others as well—where, effectively, very large funds invest globally and domestically across a broader risk spectrum.

At the moment this debate is about the set of tools on both the supply side—firms getting into the shop window—and the demand side, with mobilisation of capital, particularly around pensions. It is also about empowering investors, effectively empowering retail, to allocate to an extent, but—it sounds trite—with the right sort of advice and the right sort of information on this.

Incidentally, in relation to financial education, there is a great deal to be said about consumer credit. Financial education is not simply about investing in a tracker and then, over the long term, that is best for you.

**Chair:** Yes.

**Ashley Alder:** There is a big discussion on money management in the context of credit for a very large section of the population.





**Chair:** That is a fair point. Thank you very much for now, Mr Coghlan.

Q118 **Rachel Blake:** We had the sector in last week alongside consumers. I was struck by some of the unity between both the financial services sector and the consumers. Miles Celic said, “A successful market is based on trust and confidence. A critical element of that is consumers being confident in that market. So, I do not see it as weakening customer protections.” Then we had Helen Charlton saying, “To reinforce the point that was just made, we must remember that trust in the financial services sector is low. The FCA’s own financial life survey says that only 41% of UK adults have confidence in the UK financial services sector and 36% disagreed that financial firms are honest and transparent.”

The FCA has a difficult role and challenge in balancing the sector and consumers, overcoming that fundamental trust and confidence mismatch. How do you see your role navigating that?

**Nikhil Rathi:** When we established the consumer duty at the encouragement of Parliament after some legislation in 2021, we said that one of the metrics of success, over the long term—because these things do not come immediately—is whether we can shift that trust index. By placing very clear expectations on the outcomes we were after—not process but outcomes—in terms of reasonable value products, sold honestly, with good customer service, thinking about vulnerable consumers and their needs as well, we were seeking to make that a feature of what is discussed in boardrooms when they sign off strategies, decide on product manufacturing decisions and distribution, and make pricing decisions. Over time, we see that as our way of contributing to the improvement in some of the mechanisms that you talked about.

We think that that should also enable us to streamline our rulebook. We have just closed a consultation, which the industry welcomed, on how we could streamline our rulebook. It has to be done carefully and thoughtfully, and paced properly in the next year or so, so we can take out duplicative regulations; we have moved to outcomes-based regulation. It will also give us the agility to be able to cope with new technology. Artificial intelligence is coming. It can offer huge benefits to consumer markets. There are risks as well. Let us be clear-eyed about that. We will not be able to provide regulation for every new technology that comes along. These things are moving very fast. An outcomes-based approach, where we say to firms, “Go and innovate. You’ve got the senior managers regime in the UK, where there is clear governance, and these are the outcomes you’re expected to deliver,” will also help us to move the dial.

**Chair:** Thank you.

Q119 **Rachel Blake:** There was less certainty from the sector on exactly how they would like to see regulation change to enable the secondary objective. We asked them exactly what regulations they would like to see change. They were less clear on that. Do you have clarity? You have



talked about the rulebook in your letter. You have talked about PISCES this morning, and pensions reform. Is that the totality of the changes that you might make towards the secondary objective?

**Nikhil Rathi:** We have undertaken a range of changes already. We produced the first report on the secondary objective and published that in the summer. We will do another report in the summer next year. Ashley talked about the capital markets reforms. We are in the process of reforming the prospectus rules. With the nature of the range of interests that exist in the sector that we regulate, there are very diverse views. Sometimes you hear about this risk trade-off and are we risk-averse.

I will take an example of prospectus regulation reform, where we are proposing something quite far-reaching, which is that an existing listed company should be able to raise share capital of up to 75% of their issued share capital; that is a rise nearly tripling what it is today. The investors are comfortable with it, but the sell-side banks are quite cautious about it because they are very worried about the legal liability that might fall on them if they are underwriting these issuances.

There are tensions within the sector about what the risk approach of the FCA and the regulation should be, but that is another example. We are doing a huge amount on the wholesale markets in fixed income markets, commodities markets, revising MiFID. That gets less attention in some of these discussions but it is key to the operating of the wholesale markets. We are also rationalising the rules on insurance distribution for commercial insurance products. So, there is a big programme of work.

It has been hard to pin this down, and I am glad we put out the call for input on consumer regulation. A real mix of views has come through from small and large firms—different sectors—about pace, content and risks you should take. We will now try to work through that, surface that with you as well, and try to land on a few priorities as to where to move forward.

Q120 **Rachel Blake:** To help you work through that, is there anything more that you are expecting from the Chancellor that would help you to work through that range of opinions from the sector towards delivering on the secondary objective?

**Nikhil Rathi:** It is very important, when we think about the growth and competitiveness objective, to focus on the evidence. Sometimes you can get into conversations where, if there is any part of the industry that is unhappy with something, somehow that is anti-competitiveness. Life is not as simple as that at the FCA as regards the range of interests and representations we receive. It has been clear that we need to look at what the evidence is telling us. We are also doing some academic work on that.

The next thing is the risk appetite point. For example, we have had representations in this consultation on adjusting disclosures: disclosures



## HOUSE OF COMMONS

for sale of mortgage products and sale of other financial products. They think consumers do not engage with it, it is burdensome and they can move their digital processes faster. There is some force in that argument. But that will also mean, if we streamline that, that it is not going to work out perfectly for every consumer.

If we move in that direction—we will do all this through consultation, so this won't come immediately; there will be a time to engage and discuss, and there is now a formal role for this Committee, as you are notified about consultations—what we need from the Chancellor and from Parliament is a discussion around that and then an acceptance that, if we do move in that direction, we are all on the same page.

Q121 **Chair:** So you are not the fall guys.

**Nikhil Rathi:** It is not so much that. It is more that there are tensions and debates here. You will get this in your mailbags. I entirely understand the sentiment that comes through the Committee to us. We are also asked quite regularly to streamline the rulebook, so there are some choices there.

Q122 **Chris Coghlan:** Briefly on the point that Ms Blake made about lack of trust, perhaps one of the reasons for that is the fear of firm failure that you mentioned earlier. Is there more that needs to be done in terms of protecting consumers' investments and money in the event of investment firms' failure, or more that you could do to reassure consumers that if a firm fails it does not mean they will lose their underlying investments?

**Nikhil Rathi:** Again, Ashley touched on this. He talked about investment risk and firm failure risk. There are certain investments where we just have to be clear: "These are high risk and if you put your money here you lose."

**Chair:** Crypto.

Q123 **Chris Coghlan:** I am talking about failure of the fund manager, for example.

**Nikhil Rathi:** Yes, but Mr Glen asked me about the authorisations gateway. We did not allow FTX into the UK authorisation gateway. That was in the context of a Government who were very pro-crypto. It was not easy for us to make decisions refusing these firms, but they just did not meet money laundering standards in the UK and it was potentially one of the largest failures in US corporate history. They went over to the US, and the DoJ there said it was potentially one of the largest criminal frauds they had ever seen.

In that case, firm failure did not happen here. If it had happened here, I think we would have to say, "Consumers, I'm sorry. If you're putting money into crypto, these are very high-risk situations and you should only put money in that you can afford to lose."



We have quite elaborate systems around the FSCS, probably more generous than comparable jurisdictions in Europe or elsewhere. There is now a debate around those areas not covered by the FSCS but by the safeguarding regime. That comes in payments, in particular. There is a tension here because this has been one area where people have wanted innovation and allowed new small firms in, and this is a big fintech growth area, so don't go too heavy on audit requirements and control requirements; but it is also an area where we have seen the most consumer harm when firms have failed.

Q124 **John Glen:** Is there not an asymmetry between the new firms and the old firms? How do you get the regulation right? Some of the fintechs would say they have better systems that do not necessitate the same degree of regulation as some of the older firms and there is a tension between them. How do you reconcile that?

**Nikhil Rathi:** I would say that we have an earlier high-growth oversight scheme, which has 400 firms in, where we put tailored support around the smaller fast-growing firms to help them scale. Some of them do have better systems. Some of them, though, grow so fast that their systems cannot keep up. That can be a bit of a tension with these fast-growing firms because they feel they want to shoot for the skies and we are saying, "Yes, but you need to demonstrate to us that you can protect the market at the same time."

**Chair:** Yet another tension, it seems, Mr Rathi. It is just lots of tensions to manage. Thank you.

Q125 **Bobby Dean:** On this conversation about the British public's confidence in the financial industry, I know that some of it is based on financial education and other bits will be about people's inherent risk appetites. Some of it is fundamentally trusting whether the financial products being served by the industry are things they can trust. We have had the PPI scandal. We are now also talking about the potential issues relating to motor finance. I have been told by one firm that there could be up to 1,600 claimants in my constituency alone, so the scale of this is potentially huge.

I do not know if this is a question for you, Mr Braviner Roman. We tried to get a sense of the scale, potential cost and timeframes from industry last week and did not get it. Could you provide us with more clarity?

**Stephen Braviner Roman:** Certainly. Taking a step back for a moment before attempting to answer that question, in relation to commissions in the motor finance industry a situation has been developing over a period of time. We first started looking intensely at it in 2017. We did some work that led to a ban in 2021 of a particular type of commission arrangement called discretionary commission arrangements and a re-emphasising—a doubling down—on some of the transparency requirements for commission arrangements generally.



Since 2021, we have seen a growth in complaints and county court actions in relation to commission arrangements, in particular in relation to those discretionary commission arrangements—hundreds of thousands of complaints. The figures that you give in relation to your constituency are entirely believable. As a result of those growing numbers of complaints, we intervened to take action—and we can talk about the actions that we have taken in relation to discretionary commission arrangements—because we could see a developing situation that was going to lead potentially to a disorderly, inefficient, unfair redress situation, both for consumers and firms, and for the functioning of the market.

The Court of Appeal case that has prompted the latest discussion about the numbers has brought into focus a different type of commission arrangement. They are often used in conjunction. The same individual consumer will often pay commission that is both a discretionary commission arrangement of the sort that I described and a fixed commission. The commission arrangements are often wrapped up together, but sometimes they are separate. The scale of the problem that we were anticipating and investigating with our intervention in relation to discretionary commission arrangements has undoubtedly expanded with the Court of Appeal decision. The Court of Appeal decision is subject to appeal at the moment, so we do not know whether that will be the final word exactly on the parameters of that ruling.

Regarding the work we have done in relation to the discretionary commission arrangements, we have paused complaints. We have done a lot of work with firms to understand the scale of the issue. We were anticipating coming back with the results of that work in May of the coming year, explaining to people where we had got to. We now need to take stock of the scale of the problem in the light of the Court of Appeal decision and do some further analysis looking at the wider implications of that. We are working on that. We are not in a position—it is premature, really—to say it will be a particular scale. We have previously said, and Nikhil, in fact, has previously said, that looking at DCAs alone we do not think it is at the scale of PPI. That was when we were looking at DCAs alone, so it would be premature to say it is definitely not at the scale of PPI now.

**Q126 Bobby Dean:** Let us pause on the Court of Appeal bit for a moment. We will come back to that. Specifically in relation to DCAs, you have taken the decision to do that long pause, and that pause looks set to be extended. What should claimants do meanwhile? Can you explain to us what preparation you have in place already for moving on this next year? In particular, some claimants are saying that they are better off going via the courts system because they will end up with better outcomes for themselves in terms of compensation, but that this pause will possibly time out in many cases as a result. Could you provide a reaction to that as well?



**Stephen Braviner Roman:** On one tiny factual, you suggested we were extending the pause. That begins to conflate the Court of Appeal and our response in relation to fixed commissions and the discretionary commissions. Let us just stick with discretionary commissions where we have a pause.

A pause is a slight misnomer of language. We often talk about it as a pause. Actually, we have given firms a longer period of time in which to deal with complaints. Normally, if you complain to a firm and it does not deal with it within eight weeks, or it deals with it and you are unhappy, you have the right to take your complaint to the Financial Ombudsman Service within that period. We have extended the period of time within which firms can deal with things. We have done that because we think that the converse situation, where we have hundreds of thousands of complaints running through firms and through the Financial Ombudsman Service, will not deliver quicker or better outcomes for firms or for consumers. It will overtip firms and the Financial Ombudsman Service in terms of the administrative burden. That scale of caseload to deal with itself brings additional cost that the firms will have to pay which, if there is redress to be paid, would be better in the pockets of consumers rather than being swallowed up in the administration of the system itself. We do not think that the pause or the extension time delays, in truth, people getting proper redress. In fact, it ensures that people get the redress they are more likely to be entitled to in an orderly fashion.

Q127 **Bobby Dean:** Can I push you on the courts point, though? I have some comparisons here about the level of compensation you can get by going through the FCA and the FOS, and then via the courts. It is more than double each time. There is a big fear that, with this long period of time that firms are being given to respond by, many court case opportunities will be timed out. What would you advise to those people who fear that?

**Stephen Braviner Roman:** We cannot control the courts. You hear a lot about the powers of the FCA. That is one of the powers we do not have.

**Chair:** Expansionist opportunity.

**Stephen Braviner Roman:** Exactly. You heard it here first. Nothing that we have done in relation to firms having longer to deal with a complaint has anything to do with an individual's legal entitlement to take a claim to the county court. They can bring that claim today, tomorrow or whenever they are entitled to do so. Claims that go to the county court would be timed out if they are outside the limitation period. Without getting too much into the details of how the limitation period works—normally, it would be six years—in many of these cases part of the underlying factual premise is that there has been concealment of one sort or another depending on the scale and the precise facts. If there is a case of concealment, generally speaking, time does not run until you know all the facts.

Q128 **Chair:** The clock does not start ticking until then.



**Stephen Braviner Roman:** Yes, exactly. If a consumer does not know they have a secret commission in their case, the clock will not have started running. If a consumer has put in a DSAR to a firm, as many thousands have, and knows that they had a commission arrangement, the clock will have started running. Our extension to the firms does not affect the time limits that individuals have in order to bring a claim to the courts. It does not affect the courts' ability to deal with it. What is happening in the court system, which mirrors what we have done in DCAs, is that many county courts are pausing—or staying, in the language of the courts system— individual cases in order to have a settled position of law from the Court of Appeal and now pending a decision from the Supreme Court.

Q129 **Bobby Dean:** I know others want to come in on this. Mr Rathi, we spoke a bit earlier about risk and the need to become more comfortable with it. Sometimes firms will fail and that might be a risky investment, and sometimes you might lose money for other reasons, too. In these particular cases, is this not something that a consumer should not have to face? On this scale, is this not more reflective of a culture in financial services of attempts to come up with schemes that the consumer does not fully understand in order to wind up their profit margin?

**Nikhil Rathi:** We took the decision to ban discretionary commission arrangements in 2021 after a market study and some consultation because we felt there was consumer harm in that market. Using the banning power is quite a strong power to use.

Q130 **Bobby Dean:** Sorry, if I could just come in, should firms not have already known that this was not a good activity to be undertaking?

**Nikhil Rathi:** We came to that view on discretionary commissions in 2021. On fixed commissions, what we are seeing here is the complexity of the legal landscape in the UK. You have regulation. Overlaying us is the Consumer Credit Act, which is passed by Parliament, and the Treasury started a review of that in 2022. Then the Court of Appeal—and Stephen is the legal expert here—has gone back to common law to come to a view on fixed commissions. It did that with cases in the county courts coming to a conflicting view as to what was and was not legal. This was a disputed area of the underlying law. That is what this process on fixed commissions is intended to establish, going potentially to the Supreme Court to understand what the settled position in statute is and what is and is not allowed. That is different from the practice on discretionary commissions where we were very clear that we felt there was significant harm, which is why we took the step to ban them.

Q131 **Bobby Dean:** Before that point, was the FCA not alert enough to it soon enough, or were firms behaving badly—

**Nikhil Rathi:** On fixed commissions?

Q132 **Bobby Dean:** No, on the DCAs prior to your judgment.



**Nikhil Rathi:** On DCAs, the consumer credit portfolio, which was about 20,000 firms, came to the FCA in 2014 from the Office of Fair Trading. There was a big job at that point. It was one of the biggest transitions of regulation we have seen in a number of years. This is obviously before all of our times. The focus in those first couple of years after 2014 was to get that portfolio of firms settled in. Then there was some work on discretionary commissions in 2017, a market study, which led to the proposals to take action there in 2019. That all got paused because of covid, and there was a period where the organisation was not focusing on new regulation but on keeping the system going in 2020. We came through that in 2021 and we went forward with the ban. That is the course of events and the timetable. Stephen, do you want to add anything?

**Stephen Braviner Roman:** No.

Q133 **John Glen:** Could I just follow up on that question, Mr Rathi? You have helpfully explained how this area of regulation came under your purview, essentially. This goes to a more fundamental question about Governments, as with funeral plans in my time, giving you another responsibility, at least to the point where you have 4,800 or 5,000 people under your authority. Is that viable in terms of public confidence?

We have here a situation of confused accountabilities, and you have an evolving set of responsibilities given to you by various Governments over time. Do you ever think more fundamentally, notwithstanding the transformation programme you have undertaken over the last three years, about the optimal organisation between consumer and wholesale regulation and whether the FCA in this evolving space gets things right? How can it get it right when you have been asked to do so much? Has this experience prompted you to ask more fundamental questions?

**Nikhil Rathi:** One of the things about the FCA is that those fundamental questions are always being asked, and the debate never really stops. I was asked about this in my pre-appointment hearing. Ultimately, the view I take is that the structure and remit of the regulation is a matter for Government and Parliament. It is our job, once you have given it to us, to put the organisational infrastructure in place, and the data and technology to make it happen.

Q134 **John Glen:** That is all right up to a point. You are the longest-serving chief executive of the FCA. You have gone through a massive transformation programme where you are trying to empower decision making further down the organisation. You must have an instinct. We as politicians want you to succeed and we want the economy and the financial services industry to be in a better place. This goes to the heart of how you can be effective. I am trying to draw out from you your best instincts to advise Parliament and Government about where we can do it better or get you to do it better.





## HOUSE OF COMMONS

**Nikhil Rathi:** I do not think the remit is unmanageable, which is what some say. Obviously, there is always a debate around wholesale and retail. Different structures have been tried at different times. The US has a separate consumer bureau that is not particularly popular with the industry over there, and it has multiple agencies and is quite a complicated landscape.

The most important thing is what we have been talking about: getting alignment on what is a strategic direction and what is the risk appetite across wholesale and retail markets. There is debate within wholesale and retail markets, and indeed there are many markets where the boundaries are blurring. If I think about payments, crypto or long-term asset funds, we started off in the institutional market with those going to DC pension funds, but we are now opening it up to retail. If I think about institutions like Barclays, it is both a wholesale institution and a retail institution. It is not hugely convenient for it to have multiple supervisors. It is not going to lead to a more efficient system. We have struggled with that real strategic alignment, which is time consistent and lasts over a number of years. As you say, when one of these things appears, it can shift the debate. The perimeter is always going to evolve.

We have a very sophisticated financial services industry. New products are coming, whether it is funeral plans, "buy now, pay later", crypto, or alternative vehicles. The key from my perspective is just getting the infrastructure in place so that we can bring these into the perimeter using data and technology much more effectively as well as acceptance. There is a process to bring things into the perimeter. You will be familiar with funeral plans because it took years from when the issue was first surfaced with you as a Minister to the time the debate happened. We cannot take responsibility for the harm that was done before the authorisation gateway. With "buy now, pay later", I can tell you straightforwardly that we have taken action. You can read it in the press. There is all kinds of harm out there in the way debt collections are working and bailiffs are being called. That will not arrive in our perimeter until 2026.

**Chair:** We will come back to some of the other areas. I will go back to Mr Dean next.

Q135 **Bobby Dean:** Mr Braviner Roman, I was struck by you explaining about the burden on firms with these customer complaints. At the same time we also have a consultation going on about reform of Financial Ombudsman Services. Do you think that these reforms have been prompted by the burden on firms? Does it still have the rights of the consumer in mind?

**Stephen Braviner Roman:** The call for input on how we deal with mass redress predated the Court of Appeal decision. It was not prompted by that, but it was prompted by a reflection as to how the system works for a singleton complainant, which broadly speaking works pretty well in the sense that I have a complaint with a firm, it is related to my particular



## HOUSE OF COMMONS

circumstance if the firm can or cannot deal with it, and if there is a dispute it can go to the financial ombudsman and it can deal with that on its individual merits.

What the system is not structured to cope with as well are mass complaints from 100,000, 200,000, or 2 million people, all with very similar complaints coming in at different times, landing in different firms, being dealt with inevitably slightly differently by different firms coming into the ombudsman service. The ombudsman service is not one ombudsman, as I am sure you will appreciate. It is a range of individual ombudsmen who make individual decisions on the facts before them. Their jurisdiction, although it is very broad in that they are required to come up with what they think is a fair and reasonable outcome, is dealing with a fair and reasonable outcome with that consumer and that firm in that circumstance. They are not entitled to step back and say, "This is one of 2 million complaints or one of 200,000 complaints. If I determine it this way, what does that do to the industry? What does that do to the consumers of the future? What does that mean for the consumers of the past?" Those questions are not before the ombudsman. All the ombudsman is thinking about is this consumer and this firm.

As soon as you get into a mass redress situation, the scheme does not work entirely satisfactorily to allow the range of factors—the order, the fairness, the equity—and the wider considerations that, frankly, only the FCA or the Government have the jurisdiction and the statutory powers to think about. That is why the call for input on the mass redress is out there. It is not just because of firm burden, although that is one aspect of it. It is more that the system is not designed to get fairness for the consumers that you are talking about in an orderly fashion on its current individual decision basis.

**Q136 Bobby Dean:** What would you say to people who say that the easiest way to ease the burden on firms is to stop these mass redress events happening in the first place and that there needs to be much more proactive prevention of these kinds of instances in the first place?

**Nikhil Rathi:** I would say a few things. That is one of the reasons for the consumer duty: to enable us to get more proactive and for us to intervene earlier. Secondly, we have been doing a consultation that is looking at our capital requirements for firms such that we spot those that are getting more complaints that are likely to lead to redress early and they hold more capital against it so that there are incentives in the system to address those issues. I do not think it is good for the system to have these kinds of events. Some of it goes to the legal complexity I talked about.

I will underline what Stephen was saying. When we think about consumer protection—it is a challenging debate to think about—it is ensuring that people are treated fairly where issues have affected a large number of consumers in the past, but making sure that, as we construct whatever mechanisms we need to deal with that, we also think hard about



consumers of the future also being served well. Clearly, it is not in anybody's interest to not have a motor finance market that serves millions of consumers every year available to people who use it to secure finance for cars. Again, when Stephen said, "Who has the remit to be able to think about that?", it is for us to think widely about it. The FOS will think about individual cases, and then ultimately of course the Government as well.

**Q137 Dame Siobhain McDonagh:** We have spoken about the public's lack of faith in the financial industry and how broad your work is both on the side of the banks and financial institutions, and on the individual consumer. Can those two things not be combined in one agency? Is the FCA more interested in regard to car finance in the long-term interests of the banks or the consumer?

**Nikhil Rathi:** We have said in our documents on this that we are assessing everything against our statutory objectives, which are consumer protection, market integrity, the markets functioning well, which is what you have asked us to look at in the objectives, and competition in the interests of consumers. As we work through this, we sought to do it as transparently as possible, and we will do that in May as well. We will lay out the evidence against all those objectives. There are tensions between those objectives, and we will surface those tensions.

This is not about favouring banks over consumers. This is about ensuring that the law is complied with and that consumers are treated fairly. The point I was making earlier, Dame Siobhain, was that it is not just consumers in the past; it is consumers in the future as well. We all have an interest in having a functioning car finance market that works well in the future, too, so appropriate judgments will need to be made about how you balance all of that. We will do that in an evidence-based way and proactively keep the Committee informed as we are going so we can hear your views, too.

**Q138 Dame Siobhain McDonagh:** But you have these two countervailing forces. You have the banks, which are institutions we all rely on. We want them to have good and healthy futures via, potentially, hundreds of thousands of consumers who were treated badly and the scepticism that arises that the number has to be big on the consumer side to force any action, and they as individuals are now delayed and delayed and delayed in making their claims. Can you see how that might undermine confidence in the whole financial market? Banks do things on occasion and as a layperson you cannot understand how they thought that was fair or reasonable.

**Nikhil Rathi:** I can understand the force of the point you are making. On discretionary commissions—this is pre-2021—we are hoping certainly with the consumer duty and other steps we have taken that this kind of thing will not happen in the future. I hear what you are saying there. The issues will always be challenging in these mass market-type events where you are talking about uncertain interpretations of the law. Some of



## HOUSE OF COMMONS

this was discretionary commission where we are clear about harm. On fixed commission, the courts have ruled both ways. Different court rulings have come up, and that is why it has gone to the most senior courts in the country—to try to work out what the right legal position is. We will then take stock once we get there. Sometimes these points of legal uncertainty arise and the system takes time to work through. As Stephen said, we do not control the courts; they have their own timetables.

**Q139 Dame Siobhain McDonagh:** Would you not agree that the banks are wrong to claim that they are being punished retrospectively given that the FCA's framework had been in place for many years?

**Nikhil Rathi:** We do not agree with the retrospective argument here. The work we were doing on discretionary commissions was not trying to hold them to the 2021 standard for previous activity. It was examining whether they were compliant with the law and regulations that were in place at the time, before 2021. That argument is used; that is not one that we recognise. You are right to say that if there has been a breach of the law there will need to be consequences for it. All the firms have a right to go to court if they disagree with an interpretation of the financial ombudsman or another decision, and they can challenge it. One firm has done so, and we will see what the court says in those cases. The courts are there to protect everybody, not just consumers. They are also there to protect firms if they feel there is an unfair judgment.

**Stephen Braviner Roman:** If it would be helpful, without getting into all the details of the Court of Appeal judgment and those particular cases, it is certainly true to say that certain narratives that some may have articulated or allowed to be said almost paint the position as previously that there were no rules in this space, there were no requirements to disclose anything, and the Court of Appeal judgment requires a level of disclosure that is unprecedented. That is an overstatement of the position by some way. The rules that the OFT had in place before 2014 required disclosure. The rules that we have had in place since 2014, prior to the ban that Nikhil has referred to, were predicated on the fact that there is a potential for conflict when a commission is being paid and predicated on the value of transparency. People had to be transparent about commissions if they could influence the decision of the consumer if they knew the amount or would suggest some impartiality on the part of the broker. Firms always had an obligation of principle to have regard to the interests of the consumer and to be clear, fair and not misleading in their statements to consumers. All of these rules were in place.

It is absolutely fair to say that the Court of Appeal has added to that and has provided a legal framework—a legal architecture—based on the common law, as Nikhil said, which is different from ours. Our rules were not predicated on that basis; they were independent of that. It has provided some specific areas where it says the firms should have gone further, but they are specific areas where they should have gone further



## HOUSE OF COMMONS

rather than that there was no disclosure. The narrative occasionally gets a little bit binary.

**Q140 Dame Siobhain McDonagh:** Can I just raise with the Committee one of the more outlandish stories that I have heard about car finance? I understand that when you were going to buy a Porsche—I am sure the Committee will be well aware of the process—the waiting list was so long that you could find your way up the list if you bought a particularly expensive watch. Do you think that really happened?

**Nikhil Rathi:** I would have to look at the details of the case.

**Q141 Chair:** That would be a matter for the FCA. I think it is a world that a lot of us do not live in, Dame Siobhain, even if you do.

**Stephen Braviner Roman:** If the consumer were buying the watch, that might be one thing. The closer analogy here would be if you get up the list because the broker gets a watch. That would be different.

**Q142 Chair:** Thank you, Dame Siobhain. We had a glimpse into your world, clearly.

People have talked a lot about this being a complicated landscape, but, frankly, it is a mess, isn't it? The FCA regulates, the financial ombudsman deals with complaints, and this has now ended up in a mess in the courts, which is leaving consumers in a mess. What you said about previous rules is interesting, Mr Braviner Roman; they had to be transparent. If they had to be transparent, how did they get away with it for so long before it got into this complicated legal mess?

**Stephen Braviner Roman:** As Nikhil has said, we focused in the period from 2017 to 2021 on the practices that appeared to us to be the most harmful. It goes back—

**Q143 Chair:** Prior to the FCA, they were required to be transparent.

**Stephen Braviner Roman:** The OFT had rules in place that were broadly similar in terms of the level of disclosure, yes. The car finance market has changed over the years. The use of commission-style arrangements and so on has developed over the years. Nothing is a static market. When our work started in 2017, we focused on the practices that seemed to us, strictly speaking, to be unlawful in the sense that there was no ban in place on discretionary commission arrangements. Just so that every everyone is clear what a discretionary commission arrangement is—

**Q144 Chair:** Perhaps you can explain it to those who might be watching.

**Stephen Braviner Roman:** The structure of a discretionary commission arrangement is that the consumer wants to buy a car, speaks to the motor dealer and says, "I'd love this Porsche." They don't have £250,000 in their back pocket, so they need to agree finance. The motor dealer, miraculously, turns into a broker at that point and says, "I will introduce you to a lender that I have. The interest rate is going to be such and such



## HOUSE OF COMMONS

on a loan for a £250,000 car.” The discretionary commission arrangement was an agreement between the lender and the broker that the broker could increase the percentage interest rate that the consumer would pay, usually between a band—a minimum of 3% and a maximum of 15%—and the higher the interest rate the consumer paid, the higher the commission the broker received. That, on its face, inherently creates a conflict between the interests of the consumer and the activities of the broker in a way that a flat commission does not. We focused on—

**Q145 Chair:** The OFT said, “Be transparent.” That transparency was not there, so it is one unholy mess that has landed now on you as well as consumers, and it is going to take a long time to resolve. Why did it fail so badly even before you got involved if that transparency requirement was there and people were not being transparent? It was just a breach of the previous rules, was it not?

**Stephen Braviner Roman:** In some instances, it was a breach of the rules. The brokers had to disclose a commission if it was going to influence or could influence the consumer’s decision or suggest that they were not being impartial. Most people hearing the description of the arrangement that I have just described would think that that should be disclosed. A generous interpretation would be that, as the market was developing, some ambiguity perhaps existed before we stepped in as to the understanding of what the requirements were. As you say, this has been in place for a long time. The practices pre-existed us. The requirements for transparency pre-existed our work. It was our work that really shone a light on it and stopped it.

**Q146 Chair:** Can you just be clear, Mr Rathi? If you are a consumer who thinks you are caught up in this, what is your advice at this point?

**Nikhil Rathi:** If you are not satisfied with the terms of your finance agreement, you should contact your lender and put in a complaint to your lender if you are concerned.

**Q147 Chair:** First, you need to find your finance agreement.

**Nikhil Rathi:** If you are satisfied, I would not suggest you complain. That is the advice we are giving to consumers.

**Q148 John Glen:** Of course, there will be plenty of people who will have been quite satisfied because they did not know what had happened. They did not know what they did not know. Now they are retrospectively going to have the opportunity, as with PPI, to take advantage, potentially, of a redress mechanism. It does beg the question about where the issue of consumer awareness and responsibility begins and ends. I accept if you have a concealed commission arrangement between a broker and a car dealer it is not fair. We have seen a complete transformation over the last generation of people not buying cars outright and buying them with finance agreements. They almost take a view of, “Can I afford it? Is that right?” How do we also get to a point where consumers reasonably take responsibility versus now taking advantage of a retrospective



## HOUSE OF COMMONS

interpretation of a regulatory failure over many years, which will have a destabilising effect on a number of financial institutions, many of which are highly concentrated in this industry—or is that the wrong way of looking at it?

**Nikhil Rathi:** I am not sure we would agree with the analysis around regulatory failure. These are complex issues around the law as well, which is not clear. There are different dimensions to this. I did say earlier in the year that, as this work has been going on, there is a greater likelihood of getting to a structured redress mechanism than when we started this work. Now we will have to see where the courts get to. One of the choices that we will have—and if we go down that route, we would consult on it—is whether it is complaints-led or system-wide. Is it one in which if you are dissatisfied you complain and then you opt in, or is it one where we say to the entire market, “You have to go and trace all your consumers over whatever time period is decided and then pay them compensation”? That is a choice.

Q149 **Chair:** The second may be cheaper than the first.

**Nikhil Rathi:** Exactly. That is true. It may be quicker and easier to administer. Not all records are kept. It also goes to the point that John Glen MP is raising, which is that there may be consumers who are perfectly happy with the arrangement that they had, even sometimes if they had knowledge of this, because they were happy with the car and they were happy with the rate they were paying. It is in the interest of the overall market functioning for the future to strike the right balance. When these issues come up, it is exactly through this accountability mechanism that we need to be able to ventilate these kinds of points.

Q150 **Chair:** You say, “when these issues come up”. How many other cases do you think there might be in other sectors? Are you doing any landscape review? Are there any other areas?

**Nikhil Rathi:** We are working on a range of issues where there are significant complaints.

Q151 **Chair:** So it is just complaints you are looking at.

**Nikhil Rathi:** We look at those. There is no comparable one to this. It is known in the market, and we have been doing work on the question of ongoing advice charges in the wealth management industry. That is ongoing work. A couple of firms have made their own announcements around that work. A part of what we want to do on the work we are doing on redress and with the FOS is to get early warning of these types of situations so that we can act but also prevent them from happening in the future.

Q152 **Chair:** You have mentioned the financial advice sector. Are there any other sectors you want to name?

**Nikhil Rathi:** At this stage, I do not want to name anything else unless, Stephen, you want to add anything.



Q153 **Chair:** You are looking at other sectors.

**Nikhil Rathi:** We monitor the complaints and we seek to get ahead of those issues and take action. I am not naming this as a sector because I do not think this is one where you will have mass complaints, but one of the things that triggered our work on bereavement recently is that we were seeing the complaints tick up on the speed of life insurance payments when people lost a loved one. We moved in and did a study. We have published that study, and we wanted to get ahead of it so that firms sought that out. Some firms are doing very well, by the way. It is always important to acknowledge that. It is the firms that are not doing well. We want them to sort that out before it becomes an issue of scale.

Q154 **Chair:** Some areas are regulated such as fees for mortgages or courier fees for loan documents. If you work out the maths on it, it means the interest rate goes up. Anyone who does not do the maths might well get stung. They are regulated by you. This is all perfectly legal. Do you look at those, even though a lot of people would not complain because they would not even appreciate perhaps that they are paying over the odds for something as simple as having rather worthless documents couriered to them at a fee that basically ratchets up the interest rate? They are hidden fees, basically.

**Nikhil Rathi:** There are two issues there: one is the fee and the other is the disclosure around it. On disclosure on mortgages, in the key information document there tends to be fairly extensive disclosure of the amount that is paid to an intermediary if you are taking a broker. The fair value limb of the consumer duty is intended to make sure firms think that what they are charging is reasonable for the service they are providing. Those are matters of judgment.

Q155 **Chair:** Take the example of the mortgage fee and an interest rate that is lower. A higher interest rate without the fee is cheaper on the higher interest rate. People might go for the headline interest rate if they do not think it through. With the consumer duty—there are many examples like this, but this is one—do you not think there is a responsibility for banks and mortgage lenders to think about the customers who may be making these decisions?

**Nikhil Rathi:** Yes, and that is why, typically, a mortgage sale will often be advised, and the precise calculations for an individual customer will often depend on the quantum of the mortgage they are taking. Sometimes the lower interest rate but higher fee is worth it for them because of the amount they are borrowing, whereas if it is a small amount they are borrowing going for the higher interest rate is better. The mortgage lender should make available to them the illustrations of what the different products will cost them both on a monthly basis and over the lifetime of the mortgage. We think both products are legitimate products in a market where you have choice, and consumers then need to take a view of what works for their particular circumstances.





## HOUSE OF COMMONS

Q156 **Chair:** You are monitoring complaints. You are saying that is how you decide that you might need to look at a sector: for instance, the report on bereavement that you did. Is there any other data that you look at to try to assess what might be going on in sectors?

**Nikhil Rathi:** Complaints are one sort of data. We have extensive regulatory reporting. We are looking at our regulatory returns from each of the sectors. We will be looking at the financial health of the different sectors, the compliance breaches, the operational breaches and the customer service data that you see. In the savings rates work we did last year—and we informed the Committee about this—there were serious problems in the transfer times when people wanted to move from one cash ISA provider to another cash ISA provider. We put a plan in place and some focus around that. There is a range of data that we use. Now we are increasingly using data science, artificial intelligence, machine learning and all of those techniques to try to get to some of the issues faster.

Q157 **Chair:** When you find a sector where there is a problem—with motor finance, the hidden commissions—do you then look at other sectors? Are there any other sectors—take hidden commissions—where that is an issue that you will look at but where you may not have had complaints because people may not have realised? You are on the front foot, basically, as the regulator.

**Nikhil Rathi:** We are doing some work as to whether there could be any read-across, but I would be quite cautious about immediately asserting that there is. There is a lot of speculation now. That requires quite patient detailed examination.

Q158 **Chair:** You are doing some work. Just explain what you are doing.

**Nikhil Rathi:** We are working to understand the judgment. As Stephen said, we will wait to see if that is the final judgment, and we will hear from the Supreme Court. If that is the final judgment, we will look across consumer finance and other retail markets to see whether there may be any potential read-across. The Court of Appeal was also quite clear in its judgment that certain elements of it were quite specific to the facts of the cases that were before it. That is why I do not want to suggest to the Committee that there is automatically going to be read-across much more widely, because I think that would cause a lot of concern for no reason. Obviously, as a responsible regulator, we are seeking to understand that.

**Chair:** I want reassurance that you are not just relying on complaints but you will be proactively looking at it. There are nods from the panel. Okay, thank you.

Q159 **Chris Coghlan:** Just a quick question from me because we have kind of touched on it already. It is on the FCA versus your international peers. There is obviously scope for significant deregulation in the US following the presidential election. Is that likely to pull the FCA between the EU and



## HOUSE OF COMMONS

the US if there is further divergence between the two? How should the FCA respond to it?

**Ashley Alder:** It is a really good question. You can see the apparent direction of travel in the US. It is right to point to that. The UK has followed a pathway for some time as a leader in the formation of international standards, whether through IOSCO, participating in the Financial Stability Board or otherwise. That remains an important functional objective of the FCA notwithstanding aspects of apparent deregulation or actual deregulation in the US.

Internationally, as a global financial centre, there is a question of where in the globe we should be co-operating and why. Obviously, there is a continuing discussion about Europe. Our interactions with our regulatory counterparts in Europe are very strong. We have seen recently and quite interestingly a direction in Europe that is not dissimilar to the emphasis on the relationship between regulation and growth that we are seeing here. Post Brexit, the conversation about aspects of what we do that relate to things like market access will take some time, but they are nevertheless worth having, without any doubt.

Broadly, because we have seen the advantages that can arise from influencing and embedding international standards in the UK, that is not something we should abandon. As regulators, we often talk about or use the phrase "race to the bottom". From my point of view and the organisation's point of view, there are clear dangers in indulging in any sort of race to the bottom around a deregulatory agenda, for obvious reasons that go right back to our experiences of the financial crisis 15 years ago, in practice.

On the whole, there is a lot to be said for pursuing agreements around the international standards that inform our own regulation with Singapore, Hong Kong, Japan and Europe. Also, the reality is that, once the leadership of our counterpart agencies in the US take up their roles, my experience in the past, and in fact in the last Republican Administration in the US, is that, by and large, the level of participation in global issues and global risks is quite encouraging, in practice. Of course, it will be important that we are on the front foot in relation to our ability and our ambition to engage with the US.

I perfectly understand the question of whether this will be a binary choice of some kind. I do not think it needs to be. The key point for us is that we will need to persist in our leadership role in relation to international standards. By way of example, we have not touched on it today but roughly 50% of global financial assets sit outside the banking system now in so-called non-banks. It is a really important topic; it is vastly important. It is one of the reasons why one should not separate wholesale from consumer in the context of financial regulation.

Just look at the degree to which private equity ownership of real economy assets happens. The work we have been doing on the relative lack of



data to judge the level of leverage within private markets is really important. We are co-leading that in the Financial Stability Board. I know that sounds a long way away from the discussion we have had, for example, about motor finance on the ground, but that sort of work is important because it goes to critical elements of financial stability that, if it goes wrong, of course affects the whole population. Our positioning as a global financial centre in creating the standards that are overall protective but also reduce frictions around cross-border capital flows is essential to the way in which the financial services sector, the wholesale sector, operates in the UK as an exporter of financial services and as an intermediary of financial flows.

**Chair:** Thank you very much.

Q160 **Dame Harriett Baldwin:** Can we focus a bit on the organisation itself for a moment? You have increased your costs to the industry and your headcount by about 30% over the last two years.

**Nikhil Rathi:** We have gone from about 4,000 in 2020 to just over 5,000 today. Those are the numbers.

Q161 **Dame Harriett Baldwin:** Is that now enough people, or are you planning to increase headcount on a similar trajectory in the future?

**Nikhil Rathi:** I have said both internally and externally that we are not anticipating further significant growth. The focus now is on optimising our resources and on our technological infrastructure. That is without prejudice to anything that the Government or Parliament might ask us to do. Sometimes things come along. That also then opens up a discussion about the prioritisation of our resources across the priorities we talked about at the start. It is a large waterfront, and that means we will not cover everything to the same intensity and same degree. That is why in the letter that Ashley and I wrote to the Chancellor, and which was published this morning, we wanted to say, "Can we have this decision about the appropriate risk appetite, and then we can make the allocation of resources accordingly?"

Q162 **Dame Harriett Baldwin:** In terms of resources, would you say the 30% increase is directly down to the additional responsibilities that you have been given by successive Governments and Parliaments?

**Nikhil Rathi:** Some of the additional responsibility. Some of it was having left the European Union. There was an adjustment as to who is making the regulation now. There was a very extensive process of moving the regulation that was made at EU level and decided at EU level into the domestic system, and that has been delegated to us. In our case, about 30 to 40 files that were EU files are now coming on to our rulebook, which are down to us to make the policy for and implement. Some of it was responding to some of the findings of the various reviews and some of it is also stepping up in certain areas. Authorisations are seen as the biggest increase. We wanted to get faster there in particular and in our tech change.



## HOUSE OF COMMONS

**Dame Harriett Baldwin:** It sounds as though there was a step change and that your trajectory is a flatter one going forward. You had a loss in your accounts because of the pension scheme accruals. Dame Meg and I are both trustees of the Parliamentary Contributory Pension Fund.

**Chair:** Which we should declare.

Q163 **Dame Harriett Baldwin:** It has been a really good time for the markets, so I was a bit surprised to see that you had had actuarial losses on the FCA pension scheme. Should we be worried?

**Nikhil Rathi:** I think our scheme is well funded. It does not give us any cause for concern in terms of the agreement we have with the trustees. I will need to get back to you on the specific accounting treatment. Those numbers can move around a lot from year to year. Obviously, the NAO looks at our accounts.

Q164 **Dame Harriett Baldwin:** We should not be worried.

**Nikhil Rathi:** That is not on our red risk concern that goes to the board.

**Chair:** There are too many other things.

Q165 **Dame Harriett Baldwin:** Has absorbing that number of extra people over the last few years been straightforward—onboarding that many staff? Have there been any particular areas where it has been hard to recruit?

**Nikhil Rathi:** Stephen may wish to add here. It was a very ambitious transformation that we underwent. I am incredibly proud of the work of my colleagues and the work the 5,200 people at the FCA do day in, day out to protect consumers and ensure market integrity. We put through some very challenging reforms on our pay and performance. We were particularly rigorous in tackling those areas where there perhaps was not the level of performance that we wanted to see going forward, and that has been well telegraphed in this Committee over the years.

We have seen some very strong staff survey results in the last year. We want to keep focusing and working on that. We had a big training exercise to do, particularly in authorisations, as we brought on more case officers. We also have a big capability issue, as with any large organisation like ours, from the most senior people in the organisation through to the new staff we recruit, with data and digital fluency. We have significantly increased the number of data scientists and tech colleagues. We went out to Leeds and Edinburgh to bring in more of those because it is competitive here in London. The skills and capabilities we need to build there are not just in those areas. Every single person in the organisation needs to build their data and digital fluency to make best use of some of the new techniques that we are bringing to bear, and that is a fundamental retooling of public services that we are embarking on.

Q166 **Dame Harriett Baldwin:** What is the FCA policy on working from home?



## HOUSE OF COMMONS

How many people would be working from home on any given day?

**Nikhil Rathi:** For senior leaders—that is roughly the top 175 in the organisation—the expectation is that half your time is spent in one of our offices over the month. If you are visiting a firm, or in a court if you are on an enforcement case, that is included in that. For the rest of the organisation, it is 40% over a month, with some exceptions for different teams that might have specific—

Q167 **Dame Harriett Baldwin:** Is that 40% in the office?

**Nikhil Rathi:** It is 40% in the office over the month.

Q168 **Dame Harriett Baldwin:** It is not even half the time that people are required to be in the office.

**Nikhil Rathi:** That is the balance we have struck. For certain teams, it is a little bit higher than that. We are doing a review at the moment where we are considering all these issues in the round, as are many other organisations, and trying to strike the right balance on what is appropriate for the productivity of the organisation, our recruitment, our retention and our operational performance. We publish our operational metrics each year, and, as you will have seen, year by year they have been getting stronger, including in the last annual report. It has also enabled us to have teams operating in multiple different locations. A large number of teams now operate out of Leeds and Edinburgh—60 or 70 teams—and they interact with colleagues in London as well. It is an ongoing discussion and debate with our colleagues, and we will constantly look to what is happening in the external market as well.

Q169 **Chair:** Is there an issue for those who have sensitive data to manage?

**Nikhil Rathi:** There are certain teams that are full time in the office because the nature of their work requires them to use specialised equipment that is only available on site. There is a general policy, but then certain specific business needs are catered for.

Q170 **Dame Harriett Baldwin:** Mr Alder, do you do a performance review of your chief executive on a regular basis?

**Ashley Alder:** Yes.

Q171 **Dame Harriett Baldwin:** What sorts of things are you looking at when you do that?

**Ashley Alder:** A range of things. Nikhil has touched on transformation, and, as far as the organisation is concerned, how successful that has been. I recall the first time I came to this Committee—it was early last year—that there was a series of questions about the level of turnover and morale in the organisation. As you would expect, we have a discussion around that.

My current view is that Nikhil and his team have led a successful transformation. Given that the organisation has a series of challenging



ambitions that we are becoming more and more clear—we discussed this earlier—about how consumer duty develops, how we intersect with growth, how our secondary objective operates and how we articulate our new strategy, it is really important from the board's perspective that the organisational platform or the platform with the organisation of people, technology and resources is stable and is able to advance that ambition.

Before I joined in 2022, when transformation was ongoing, I would not necessarily have said I would be all that confident that that was the case, but I am now. One of the things in our discussions about where the organisation sits and is going forward is, first, the degree of thought leadership. The organisation has been very clear that it is more than willing to contribute to the debate. I have been reflecting on the discussion today about trust and the question of trust in the financial system. There is a degree of ambition within the organisation. Nikhil started articulating this whole question of where risk sits in the system quite some time ago, which has now developed into a more sophisticated discussion about capital markets, proportionality and similar matters.

Reflecting on this question of trust, there is an ambition within the organisation. I am sure it is shared by Nikhil and others. Frankly, it is an ambition. If you look, in essence, at why there is a low level of trust in financial services—it is not confined to the UK, by the way; it is a phenomenon in many jurisdictions—fundamentally, it boils down to the harmful effects of distorted incentives within firms within the sector, and it goes to information asymmetry. What we are effectively after in many respects is many of the tools plus consumer duty that we have been talking about—and they all intersect—which are forward-looking, establishing a greater level of trust in the system.

**Q172 Dame Harriett Baldwin:** This is all motherhood and apple pie, but I am not hearing specific metrics on which you would evaluate the chief executive in that discussion. What I was listening for but did not hear was how your metrics are going to shift with the new remit letter from the Chancellor.

**Ashley Alder:** That is something, absolutely. The question of metrics for the organisation is a complex one, and Nikhil touched on this earlier. Fundamentally, it boils down to two types of metric: market impact metrics—Nikhil talked about metrics that relate to the reduction of fraud in the system, for example—and activity metrics.

**Q173 Dame Harriett Baldwin:** These are all metrics on which you do evaluate the chief executive.

**Ashley Alder:** Yes, but, critically, as we develop our strategy, we have four strategic pillars, which Nikhil went through earlier. We are in the midst of developing that strategy, so we will announce the full piece quite shortly in the new year. As we are doing that, we want to establish the credible metrics that underpin those four pillars, and we need to be very careful about the distinction between activity metrics—that is what we



## HOUSE OF COMMONS

do—and market impact metrics. Market impact metrics are complex because it boils down to cause and effect—the degree to which what we do and what Nikhil and his team do as regulators affect a broader market outcome, say, the number of IPOs or reduction of fraud and suchlike. We need to be really cautious about those sorts of metrics. We are working through that at the moment.

**Dame Harriett Baldwin:** We look forward to hearing that.

**Chair:** Obviously, as frequent flyers at this committee, you will be back in front of us to discuss that. Thank you very much.

Q174 **Dr Sandher:** I want to talk about the Chancellor’s Mansion House speech, and particularly the pension reforms she is about to set up. The merger of the local government pension fund is to free up £80 billion both in saved fees and higher returns. That would have to meet standards by the FCA—I assume new standards to help to meet those greater risks. How do you see standards changing in the first instance? Secondly, are you prepared to enforce them quickly?

**Ashley Alder:** Broadly in relation to the pension reforms, they are a clear ambition, certainly in local government. The reforms have eight pools. Those managing those pools will need to be FCA authorised; some already are. Clearly, the expectations of the way in which those pools are run would be broadly similar to the way in which we would look at pension schemes in the round. Clearly, those eight pools would have choices as to how to deploy investments. The sorts of regulation that we apply to asset managers, as you would expect, around systems of controls, metrics and so on, would be fairly standard to start off with.

**Nikhil Rathi:** We envisage more local government pooling structures to come under our regulation over time. We also have consulted on a value-for-money framework so that we can look at long-term value and not just cost when it comes to performance of pension funds. The finalisation of those will also be subject to some decisions in DWP as to how that applies to other schemes outside the FCA remit, but of course we would be ready to supervise against those. I am realistic about the timeframe because it is not a simple thing to say to a fund, “You’re underperforming,” and then shut them down. In these things, there are real-world impacts on the pensioners involved if you move down that track. Sometimes I hear quite far-reaching statements such as, “This will suddenly lead to thousands of funds consolidating very quickly.” I do not think that is likely, but it provides a framework for bringing transparency to those that are underperforming and a ladder of intervention for us to use to take action there.

Q175 **Dr Sandher:** What timeframe are you thinking for the merger? How long do you think it will take?

**Nikhil Rathi:** That is really a matter for the Government. The Chancellor set out the framework in the Mansion House review. Phase 1 of that is



## HOUSE OF COMMONS

now under intensive discussion. The timing will be a decision for the Government.

**Ashley Alder:** There is a difference between the local government schemes and the broader DC market. That is where we and others are working on the value-for-money piece which, as Nikhil said, is around transparency on performance and returns and comparative transparency, and the medium to longer-term expectation that that would be one element of consolidation, whereas the local government schemes are in a different bucket, which is around the eight pools that we mentioned.

Q176 **Dr Sandher:** You guys are obviously very well aware of the fact that UK pension funds do not invest as much in domestic equity. In the UK, it is 4%, and across the world it is 10%, and part of that clearly is around the returns. The FCA has some mechanisms to help to improve those returns, such as the early and high-growth oversight framework and the AI Lab. The question going forward in trying to raise returns in this country is: is the FCA planning to do any more work in this area to help raise those returns here?

**Nikhil Rathi:** The value-for-money framework will hopefully provide more transparency around the overall value that is provided over the long term, and then there will be disclosure around the geographic location of investments. It is really important, though, to stress that we do not direct pension funds where they should invest their money. There are trustees who appoint investment managers. They make the decisions that they consider appropriate for their members and within the context of their fiduciary duties. Where there is gratuitous underperformance we can intervene, but it is not for us to start directing.

On the question of UK equities—we touched on it earlier—there is a question of how much they invest in equities overall, and the geographic distribution of it. You may see some funds investing significantly in equities, but they are directing it to the US or emerging markets because their judgment is that that will generate better returns for their members. How you get to that is not a regulatory matter, but probably a matter for the Treasury and the tax system.

**Chair:** As you highlight, there are lots of challenges there.

Q177 **Dr Sandher:** I suppose the point I am trying to get to more broadly is that there is a new area that you are moving into in which the LGPS will be investing in higher-returning funds, hopefully in the UK where the FCA sees itself sitting. Clearly, this is a very exciting, ambitious set of reforms, but your role will end up changing somewhat, I suspect.

I want to touch on the fiduciary duty as well. There have been some comments and remarks about the fact that fiduciary duty may need to change slightly to ensure those pension funds are invested in the UK, if indeed they do not seem to do so after this particular set of reforms have been implemented in the way we would expect. Are you prepared for





that? What are your views on it? How quickly do you think you guys will be prepared to implement changes?

**Nikhil Rathi:** Dr Sandher, I do not want to duck your question, but I do think that is a quintessentially political question. It is in other countries as well. It is a choice that legislatures and Governments make. Some would argue that it is protectionist; others would argue that it is necessary for the good of the economy. That is a political choice. Of course, we would implement whatever is decided.

Q178 **Chair:** Are you advising the Treasury?

**Nikhil Rathi:** We give the data and we will share the data. We are also a global financial centre. One of the points about the success of our asset management industry, which is the second biggest in the world and one of the most international, is that people come from all over the world and have their assets managed out of the UK because they get advice about everywhere in the world where they may be able to invest those assets. That openness is key to the success of that sector in our economy. There is also an issue, and we will see it in terms of the investment in the UK. I also hear when I talk to pension funds on infrastructure investment that it is not just about the desire to invest in the UK; it is also the certainty around planning and various other things as to how they can price the investment, for example, in a nuclear power station or renewable energy, where the regulatory framework has been fluid over the years.

Q179 **Dame Siobhain McDonagh:** There is a huge contrast in the areas that you cover from international pension funds to vulnerable consumers. How well, in general, are firms dealing with those financial services consumers who might be thought to be vulnerable? Where do you have particular concerns?

**Nikhil Rathi:** There has been a steady improvement here. It is a limb of the consumer duty. We have also put out guidance on vulnerability. The areas where we have had concerns most specifically have been the treatment of borrowers in financial difficulty, where we have stepped in and secured redress of about £60 million for about 273,000 consumers where we felt the communications with those in difficulty, those who were going into arrears, and the treatment of them in debt, was not where it should be. We have led the work with other regulators, particularly Ofcom, Ofwat and Ofgem, to make sure that the treatment of customers running into difficulty for debt is consistent across these sectors. One of the interesting things in the last year has been that sometimes the debt has been the energy debt going first, not the financial services debt. That is one area.

The second area that I know this Committee is taking a close interest is in access to cash. Since the new regime has come into place and the new rules have come into place, we have seen an announcement of 168 banking hubs, of which 92 are open. We have asked firms in certain cases where they have been making adjustments to branches to pause



## HOUSE OF COMMONS

because we have not been satisfied that their communications, including with respect to vulnerable consumers, have been satisfactory to make sure that the alternatives are available, and we are working through that continuously now. I know that will be a continued discussion here with the Committee.

The final point I would make goes a little bit to the data. The mortgage market has been through a very challenging period with the rise in interest rates. Notwithstanding that very challenging period, repossessions remain lower today than they were pre-pandemic. That indicated to us that we do think firms are taking their responsibilities seriously and they are talking about how they can offer different options to people who find themselves in such severe difficulty, and only using the repossession route very much as a last resort. That is what the data from the courts is telling us.

**Chair:** Thank you.

**Q180 Dame Siobhain McDonagh:** We are both going to get into trouble with the Chair because she wants us to move on. In November, you published work relating to life insurers' bereavement claim processes. You said, "There is a significant opportunity for improvement in the measurement, monitoring and delivery of good service outcomes for customers." How bad are things?

**Nikhil Rathi:** I touched on it earlier. There are some firms that do very well. Whenever we have these conversations, it is important to acknowledge that. Some firms have used technology. There is technology available now to allow for electronic verification of death. You can confirm to a degree of robustness that the claim is genuine quite quickly using technology, and then move forward to pay out at a moment often of very considerable need very quickly. Others such as those who have been bereaved go through a lot of hoops and take four to six months to get that done, with lots of paperwork and delays. We have called that out and asked for that to be addressed. We will be monitoring those firms closely. It is mixed. It is not bad across the board, but there are pockets of poor practice that we want to see dealt with.

**Q181 Dame Siobhain McDonagh:** Thank you. Finally, on burial plans, can I ask you about the 70,000 people who paid in for those in advance because they are very serious, thrifty people who did not want to be a burden on their families or the state, and now find themselves without a paid-for burial? Do you think, looking back, that there is any way you could have done something differently? The companies that they were with, such as Safe Hands and One Life, were particularly poor in terms of their aggressive selling of their risky investments. While complaints were made from about 2017 and regulation came only in 2022, that most vulnerable customer base now find themselves without a paid-for funeral. How can we help them?



## HOUSE OF COMMONS

**Nikhil Rathi:** It is very distressing to hear accounts from those people who have saved and now no longer have the confidence or the assurance that they thought they were going to get for their families with respect to funeral plans. Mr Glen MP was the Minister—

**John Glen:** Blame me!

**Nikhil Rathi:** —who took this through Parliament. This goes to the conversation we were having earlier. Parliament decides our perimeter. We can only act once we have been given the powers. Sadly, when we were given the powers for funeral plans, some large providers did not meet our standards and did not meet the financial viability test that we set. Therefore, we took the decision not to allow them in. That was the right decision, and we would stand by that decision. That decision has consequences. The regime the Government of the day had in place was a self-regulatory authority. The Funeral Planning Authority was in place at that time.

These transitions are always difficult. I say here clearly to the Committee that “buy now, pay later” is not within our perimeter. We have taken some action. I can tell you now, and you can read it in the press, that there are some firms that have some poor practices out there. We are not taking action against those. We will deal with that intelligence at the point that it comes into our perimeter. It would not be appropriate for us to use our resources until Parliament has made a decision on that.

Q182 **Dame Siobhain McDonagh:** There are two quite small areas that I see coming up where people pay in advance for services, and they relate to money providers such as companies like Wise and currency providers. Do you have any concerns that those consumers are adequately protected?

**Nikhil Rathi:** I would refrain from commenting on a specific firm until I have understood the nature of the allegation. We have a different regime on safeguarding for payments firms as we do for banks. That is one of the points about the appropriate balance to incentivise innovation. There is a big fintech opportunity here. It is an area where we have had significant concerns about the portfolio, and we have published those concerns over the quality of controls and the quality of safeguarding of assets. We have published letters to those firms quite robustly, including on the consumer duty. In saying that, I am not making any comment on the specific firms that you have raised there, but if you are able to send me the details we can exchange correspondence on that.

Q183 **Chair:** It is quite possible that Dame Siobhain is the canary in the mine for you on this. Let us put you in touch.

Talking about the areas within your influence, in October you announced that you would take some action against those social media personalities who use their platform to promote financial products—finfluencers, as they are sometimes called. You noted that there had been a particular increase in that. There is a big concern about what they are providing



## HOUSE OF COMMONS

and who they are reaching through the various social media platforms. Do you have any sense of what is driving the increase, first, in people providing advice online like this?

**Nikhil Rathi:** It is a global phenomenon. These influencers are getting attention right round the world. Some of them have tens, if not hundreds, of millions of followers, who are often quite impressionable people.

Q184 **Chair:** Do you think that they provide a useful service at all?

**Nikhil Rathi:** We do not think the ones who we believe are acting illegally are providing a useful service, clearly. I will not go into the details of it, but you are aware that in May 2024 we charged nine. There is now a criminal case against them. To give you some sense of the challenges here, we could not get a Crown court date until 2027 for that complex case. The lead times and, to Dame Harriett's question about our resources, the resources for us in managing that process—

Q185 **Chair:** The resources must be huge. How do you go and find it? It is like a needle in a haystack, is it not? Do you have someone watching TikTok?

**Nikhil Rathi:** We are monitoring it—not me personally.

Q186 **Chair:** There's a job opportunity in the FCA!

**Nikhil Rathi:** No, but we are monitoring 100,000 websites daily using our more advanced—

Q187 **Chair:** So that is websites.

**Nikhil Rathi:** We are monitoring influencer channels. We also have sources of intelligence and complaints that come through to us. We had a day of action against influencers in October where we interviewed over 20 influencers under caution. I am not going to comment any further on the action we may or may not take after conducting those interviews. No one should have any doubt about our resolve to tackle those where we see harm that is operating outside the perimeter, and indeed there are criminal sanctions here.

Q188 **Chair:** Is it actually possible to chase down people who are cutting across that line of properly regulated advice, which can be a vehicle? Lots of people use social media quite properly—the BBC and others—and there are those who are actually making illegal promotions and giving advice that they are not qualified to give. Are you able to crack down, basically?

**Nikhil Rathi:** Our hope is that the action we have taken so far will have a degree of deterrent effect. Other measures are coming onstream soon. The Online Safety Act has now come into law. Ofcom are in the lead on that. We are working with them. Their priorities are child sexual exploitation and terrorist financing, but they will get to the fraud and other areas in about a year's time. We are working very closely with them to make sure we are fully supportive of their work. Making sure the social media companies tackle influencers will be a key part of the online harms work that they are doing as well. We will not be able to chase



down everybody. As I said, some of these are global. Some of these are operating in jurisdictions all around the world.

**Q189 Chair:** It is interesting that, in the Mansion House speech, the Chancellor in what must have been a carefully worded sentence talked about the online platforms and fraud. They were mentioned in the same sentence. My interpretation was that it was a warning shot across the bows. Is there a bit more behind that part of the Mansion House speech? Have you had discussions with the Chancellor and the Treasury about how to crack down on this?

**Nikhil Rathi:** This is something that we have been preoccupied with for a number of years. When I became chief executive of the FCA, the firm I met most was not a financial services firm; it was Google. Your colleagues on the predecessor Committee, Dame Harriett and Dame Siobhain, will know that we were having a major problem with the level of fraud coming from paid-for financial promotions on the Google platform. It took us a number of years. Eventually, they shifted their policy such that they only allow financial services advertising from firms that are authorised with us. The other major social media companies have followed suit. That has had a big impact.

**Q190 Chair:** That is not the same as the finfluencers, is it?

**Nikhil Rathi:** No. This is where it gets very blurry, because there can be paid-for finfluencers as well. There is some overlap there as well. We are discussing what the Treasury announced, but I really think it is for the Chancellor or the City Minister to announce what they are going to do there. We are in discussions with them.

**Chair:** They will be in front of us soon. It is an area that we have heard about also from HMRC. There are some issues there that they have with finfluencers, so I am sure we will pick it up further. Thank you very much. I will turn back to Dame Harriett.

**Q191 Dame Harriett Baldwin:** Very quickly, because I think it was a surprise to the Committee when we took evidence from the consumer groups last week. We asked them if they had seen any impact from the implementation of the consumer duty, and they had not. Yet you have referenced it many times in your testimony today. Where is the disconnect there?

**Nikhil Rathi:** I watched that part of the evidence session and I saw the range of responses. I thought the Which? commentary was a little bit harsh in terms of seeing no impact. The measure it is using to some extent is whether we have taken enforcement action yet, and we haven't. There are cases that we are considering, but we have always been clear that on a major change such as this we will give the industry time to adjust. The final rule of the consumer duty came in this year in the summer. We are not going to enforce against every technical breach. If we spot something, as a proportionate regulator, we will call that out to the firm and give it time to adjust before we take things further.



There are many other areas where we can point to a real shift. We did not go for a regulatory rule as a solution on the work on savings rates that the Committee engaged with us on. We relied on the consumer duty, and between June 2023 and June 2024, we saw an increase in the average easy access rate from 1.66% to 2.11%, 100 million consumer communications went out, and we probably saw a faster rate of pass-through than was seen in other comparable markets in Europe or the G7. We have seen adjustment in some pricing mechanisms—for example, double-dipping of platform providers, where they would charge you a fee to hold your cash and give you a lower interest rate—and we have seen other firms adjust their fees. We have seen changes in switching practices. We intervened on GAP insurance where we saw a payout rate of 6% of premiums in GAP insurance versus the premiums being paid, and sometimes 70% paid in commission. That caused a pause of sales for some of those product providers. We intervened using the consumer duty. They adjusted their products. Those markets are now back up and running.

There are other things where the consumer duty has added to the weight of the work we are doing. I touched on reposessions earlier. As firms are thinking about their approach to consumers in financial difficulty, they are having the consumer duty in mind among other regulation. Indeed, our work on the advice guidance boundary will also lean heavily on the consumer duty. Those are the things I would point to perhaps just to balance some of the other evidence you heard last week.

**Q192 Yuan Yang:** Mr Rathi, in previous years when the Bank of England base rate was still going up, our predecessor Committee asked why banks were not passing this increase on to consumers in savings but were on mortgages. Do you think that the inverse might be happening now that rates are starting to go down? How concerned are you that banks are taking too much and giving too little to consumers?

**Nikhil Rathi:** We have seen some adjustment in fixed rates in particular, which perhaps is not so surprising given the forecast for fixed rates and where interest rates may go in the future, although, obviously, it is not for me to comment on Bank of England policy.

As a general point, at this point—we are monitoring this—we are not seeing faster move-down of rates than we saw on the way up. I do not think I can give you evidence to confirm that point. That is not what we are seeing at the moment, but we will keep a close eye on it and keep the Committee updated.

**Q193 Chair:** Thank you, because, certainly for consumers, it is a massively important issue. Talking of consumers, when you were talking about motor finance, you said you were looking at other areas. I would like to press you again on which other areas you might be looking at or if you would be able to write to us with some information.



## HOUSE OF COMMONS

**Nikhil Rathi:** You specifically asked me about commission arrangements or the redress situation, so I was limited on what I could say. There is a range of areas in the consumer markets more generally that we are looking at. I know this Committee will be interested in motor insurance. The Government have established a motor insurance taskforce. Within that, there are specific products like premium finance where we have concerns.

Dame Siobhain, you asked me about vulnerable consumers. We are particularly concerned about the impact on vulnerable consumers of what are actually quite high interest rates, effectively, if you pay monthly for your motor insurance as compared to an annual premium, and how well that is understood. We are looking at pure protection markets as well in the insurance sector. We will be doing some work on the debt advice sector in the new year, too, and the quality of communication. We will set that out very clearly for the Committee and for the industry so that it knows what we are focused on.

**Chair:** That will be very helpful because it will probably help to shape our next sessions with you, among other things, and with Ministers. I thank our witnesses very much indeed. In summary, we have heard some useful information from the Financial Conduct Authority. One of the things we were keen to tease out—we have it from you a bit today—is that there is an inflection point here now as you have this trade-off between the primary and secondary objectives: protecting consumers and growth. There is a tension and a risk element there. How that risk is managed is really key and making sure that the system works for consumers and delivers that secondary objective is a very big challenge for you as an organisation.

We heard some very clear messages about financial literacy from both sides, from both questioners and others, and that motor finance is a bit of a mess and there needs to be some resolution to this. We will look forward to questioning you about that once the processes have gone through on motor finance. We are hearing different things about when court cases might happen, but we hope that by next summer there may be some form of redress. We know that you cannot comment on that at this point.

I thank Ashley Alder, Nikhil Rathi and Steven Braviner Roman very much indeed.