



Treasury Committee

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

Tuesday 25 March 2025

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

Questions 194-293

Witnesses

I: Ashley Alder, Chair, Financial Conduct Authority; Sheree Howard, Executive Director, Authorisations, Financial Conduct Authority; Nikhil Rathi, Chief Executive, Financial Conduct Authority.

Examination of witnesses

Witnesses: Ashley Alder, Sheree Howard and Nikhil Rathi.

Chair: Welcome to the Treasury Committee on Tuesday 25 March 2025. Today we have one of our regular sessions with the Financial Conduct Authority to discuss all aspects of its work, including some of the issues around consumers and the Government's plans for growth and changes in regulators. There is a lot to get through this morning, so this is a bit of a smorgasbord of its work.

We are delighted to welcome our witnesses: Ashley Alder, who is the chair of the FCA, Nikhil Rathi, its chief executive, and Sheree Howard, who is an executive director, dealing particularly with authorisations. A warm welcome to you all.

Q194 **Dr Sandher:** You recently advised the FCA's staff that they needed a change in mindset. Why is that change needed?

Nikhil Rathi: We have an urgent problem in the UK: our stagnant growth rate. That has an impact on living standards and how businesses can create jobs. As the largest economic regulator, we have a role to play in supporting the strategic direction of the Government in driving growth in the economy.



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We have worked incredibly hard over the period of the last three-year strategy to make sure that we have firm foundations for the future, with higher standards, a strong operational platform and a preventive approach to tackling consumer harm. It is now right, with the strategic direction being set by the Government for all regulators in the UK, that we as the largest regulator swing behind that and play our part.

Q195 Dr Sandher: I think you said the balance had to shift towards being a bit less restrictive. You also spoke in your letter to the Prime Minister about “tolerable failures”. I assume that that is about the idea of the increase in defaults that would happen if you were to increase lending, for example. Given your remarks about a change in mindset, I wonder whether you are worried about tolerable failures in the other direction—if people cannot get access to the capital they need because of the current regulatory environment.

Nikhil Rathi: We are launching our five-year strategy today, in which we say that we want to rebalance our approach to risk so that we support consumers and the economy. We recognise that we have to prioritise—we have to prioritise our resources and we have to make judgments about risk trade-offs. Often, there are no right judgments here; we have to balance a range of different factors in our decision making.

I wrote to the Prime Minister at the start of the year setting out our 50 or so proposals to support competitiveness and growth. There are many things we can do. We are operating now at very considerable pace in delivering those proposals. What is important for us as we do that is to have as broad a consensus as we can—including in Parliament, and this Committee is our primary mechanism of accountability in Parliament—about what the appropriate risk appetite is and how we balance those trade-offs.

I have cited the mortgage example. There clearly is an issue in the United Kingdom when people who are paying high rents cannot get on to the housing ladder. We can adjust the lending standards to support more first-time buyers. That is not going to be entirely consistent with maintaining the same level of defaults over time in the economic cycle. There are choices to be made, and we want to have that debate. We want to have the debate about innovation, too. We can allow more innovative firms into the market—Sheree may talk about this when we come to authorisations—and we want to allow some experimentation, but we also need to be able to get them out if things are not working well.

You are quite right: there is also a point about tolerable failure in the other direction. If we take too restrictive an approach, that can mean, for example, that savers and investors are not getting the long-term returns they need for secure retirements and long-term financial wellbeing. We see that in the UK with several hundred billion pounds in easy access accounts or no interest accounts. It is money that is not needed for transactional or liquidity purposes; it is just being held there. That is quite a different picture from the one in the United States, Canada or Australia, and that is not good for our citizens.



Q196 **Dr Sandher:** You picked up on the mortgage example, which I think is interesting because also in your letter to the Chancellor you spoke about reforms to the mortgage market and about helping young people get on the housing ladder. You have spoken a lot today about growth. Specifically, what changes are you envisaging to the regulation of mortgage lending to increase first-time home ownership and, presumably, growth through house building?

Nikhil Rathi: We set out earlier this month what flexibility is available under our current rules. Already, lenders can exercise judgment in how they do the stress test, and we think that some may be being too cautious at the moment in the level of interest rate they are stressing against. That is the first step we have taken and we took it immediately.

We have also issued a call for evidence from lenders and from consumer groups as to how we may be able to adjust the stress test. Let me give you an example. We know that rents are very high in many parts of the country. People may demonstrably be able to pay those high rents and they manage to sustain their finances in doing so, yet if their monthly mortgage payment would be somewhat lower than that rent, it might still not meet some of the affordability tests that are there. We have to ask the question: is that a sensible position for us to be in, or do we need to show a little bit more flexibility in that area?

We are also looking at retiring some of our redundant guidance on interest-only mortgages, because we now have the consumer duty in place. We know about later life lending. As house prices have increased, more people need to borrow potentially right up to retirement or beyond. How can we ensure that is done in a flexible and pragmatic way?

The final issue is technology. We have a regulated advice process, but we see some lenders coming to us and saying, "Can we move to a fully digital advice process?" Our current rules don't make that easy, so in the sandbox we are going to experiment and see whether we can make that possible.

Q197 **Dr Sandher:** On that, to end where I started to some extent, there is a cultural change around the FCA being more pro-growth, in the sense of having more lending or having a less restrictive environment to get capital where it is needed. You have spoken a bit about some of the specific rule changes, but I think you are also talking about a culture change within the industry. When you are talking about a change in mindset and the culture of the FCA, are you also saying fundamentally to financial institutions, "It is also for you to step forward and think about how you can, for example, increase lending or get capital to where it is needed"?

Nikhil Rathi: We all need to move together. From the Government perspective, there is also an important dimension that relates to housing supply. It would not be sensible of us to adjust the lending standards on mortgages too far if the supply is not coming through, because that will simply lead to higher house prices and perhaps not deliver the outcomes



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we are seeking. But yes, it requires industry to adjust, and they need the confidence that the rules permit them to do that.

I would respectfully say that it needs a good discussion here in Parliament as well. Eighteen months ago, when we introduced the mortgage charter, or supported its introduction by the Government of the day, the general consensus in Parliament from pretty much every major party was to keep repossessions down. We have done that. We have had, in the last quarter, about 1,000 repossessions, which is very low historically, and even more so given the scale of the interest rate rises. But what we have seen, as we have brought repossessions down and as lenders have delivered significant forbearance, is that we have the highest number ever of accounts in arrears of more than 10% of the balance. There are trade-offs when you make these choices. What is happening is that people are being kept in their homes, but the balances are accruing. I think that debate about risk culture is really important here in Parliament too, so that we are as aligned as we can be as we take forward these changes.

Q198 Bobby Dean: I would like to probe a bit further on the perceived distance between what the Government are saying and what the regulator's response has been. We have quotes from the Prime Minister saying regulation will be cut back and that regulations have been allowed to bloat and block meaningful growth in this country. We have the Chancellor saying that the regulatory system has become burdensome and the Government's agenda described as deregulatory.

Comments I have seen from you seem to be measured than that, though. I saw you said the work of the FCA has "long contributed to growth" and that this is more about simplifying rules "while maintaining high standards". Do you think there is a gap between the Government's ambition on this agenda and what the regulators are prepared to do?

Nikhil Rathi: We are speaking regularly with the Government. I speak to the Chancellor regularly. I was at a roundtable with regulators last Monday, and I think there is a good degree of alignment. The Government choose their words and we choose ours in terms of how we take forward our work. We are always going to be anchored to the primary objectives Parliament has given us—consumer protection, market integrity, and competition in the interests of consumers. You have asked us to pursue growth and competitiveness in so far as we can also deliver those primary objectives, and that will always be our anchor.

What we are saying is that we entirely recognise that we play a role in different ways in supporting growth. First, and what I hear most that firms want from us, is predictable, proportionate regulation. They want speed, clarity and certainty, particularly in authorisations. Over 99% of our authorisations are now delivered within statutory timelines. We are digitising our forms, moving faster to support early and high-growth firms, and are providing dedicated case officers to those firms in our regulatory sandbox.



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Secondly, firms would like us to be thoughtful about data requests. We need data to be able to do our job. The levels of risk out there, particularly on our wholesale markets work, are among the highest ever. Sometimes we need more data, and more of it real-time. We also need to accept that some of our data returns might be redundant. We will be consulting soon on retiring three redundant data returns, which will benefit 16,000 firms. That is an example of an administrative cost that we can relieve, to the point from the Prime Minister.

Q199 Bobby Dean: Let me come back in, though. To me, cutting the number of data requests and stopping overlap seems like a tidying up exercise, as opposed to the deregulatory agenda the Chancellor described. Is your response partly a warning to Government that we should not go too far on this; that we have hard-won stability as a result of our response to the 2008 crash, and that we should not be looking to throw some of that away?

Nikhil Rathi: We are in a different world from that of 2008. I was very involved in the work during the 2008 financial stability crisis and the response that followed. We have significantly raised standards, both on the prudential side and on the conduct side. We now have the consumer duty in the UK, which we have embedded over the last two years and which has raised standards for retail financial services protection. When we implemented the consumer duty, we said that once it was done there would be fewer rules in the future, and we meant it. That is why today we have published some of our first thoughts on how we can simplify some of our rules.

We also recognise we are in a different economic, risk and technological environment. Regulation needs to move fast to make sure we are keeping pace with the developments we see around us. Some of our rule changes are very far reaching; some will be more moderate. On listings and on prospectus reform, we have put through some of the most far-reaching rule changes in our capital markets for many decades. Our advice guidance boundary review is described by the industry as potentially transformative, by enabling targeted support to be provided to the mass market in a way that is not possible today. In other areas, it will be more modest and streamlined.

In all of this we want to have a good, healthy debate about the risks and the trade-offs, so that there is a good understanding that with the potential for innovation, opportunity and growth, one or two more things may go wrong. We are not going to be able to stop everything, but that might be a price worth paying for the broader benefits to society and the economy.

Q200 Bobby Dean: On that point, your submission to the Lords Financial Services Regulation Committee was interesting. There is a table of potential trade-offs. A lot of them talk about setting boundaries—the number consumers in financial distress does not grow by more than x%, for example. They are all written in these terms. Read another way, it could seem like you are saying that we need to accept more harm,



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complaints, claims, fraud and insolvencies, and less competition and confidence and so on, in exchange for this deregulatory approach towards growth. Is what you are saying to Parliament that we are going to see more of all of these things and we need to tolerate that if we want to achieve growth?

Nikhil Rathi: What I am saying is that there are choices here and we need to have an open evidence-based debate around those choices. Dr Sandher just asked me about mortgages. We can relax lending standards, subject to consultation, to enable more first-time buyers to come into home ownership. We cannot do that at the same time as saying there will be fewer defaults. There is a choice there.

One of the biggest challenges we get from the industry is the cost of the financial crime controls and the regulatory controls around sanctions and money laundering. A large component of that comes from statute—we are implementing the laws as passed by Parliament. This is several billion pounds of cost to the industry. Working with the Government, there are ways we might modify some of those controls to be more proportionate, to allow the deployment of new technology and to be forward leaning in tackling harm. However, in doing that, we cannot guarantee that one or two more money mules are not going to get through the system.

On innovation, I talked about the digital sandbox. We are looking at a new platform for trading private market securities with some more flexibilities. Can I guarantee that somebody is not going to abuse those new flexibilities? I cannot guarantee that, but we think that enabling more people to be able to raise and access capital as they move from private to public will generate benefits overall. I am saying that if we want to support innovation and growth, and generate these benefits, then let's have a debate about what the potential risks may be. To some extent, I think we have always struggled with having that debate at the FCA. I am grateful that the Committee is giving us an opportunity to surface some of this now.

Q201 **Bobby Dean:** I guess some consumers and smaller businesses might ask why there is this trade off. Who is this growth for if, in order to achieve it, we need to accept more consumer harm and potentially less competition in the market?

Nikhil Rathi: Ultimately, it is for all our citizens and businesses. We have to face the fact that since 2012, the productivity gap between the United Kingdom and the United States has more than doubled. That has impact on wealth generation and living standards. One of the points I was making in my remarks to my colleagues last week was that we have to test ourselves. Are we really delivering our consumer protection objective in the long term if we are not openly facing the fact that consumer protection in the short term might undermine financial wellbeing in the long term? We see that, for example, in terms of investment in pensions—where we perhaps have a lower risk overall allocation of our enormous pension wealth relative to what happens in the United States, Canada, Australia or other markets. At the same time, we are struggling to find private capital



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to invest in infrastructure, growth and scale-up companies. In fact, Australian and Canadian pension funds seem to find investments in the UK more attractive than our own pension funds, and their pensioners are getting the benefits of those returns. We have to ask ourselves if that is really a sensible, long-term solution for our society.

Q202 John Glen: I have two questions; the first is about the Payment Systems Regulator. Ten years ago, the PSR was created to enable growth. It now looks like it has been folded into the FCA to enable growth. How do you envisage the movement in the PSR's status as an independent entity practically enabling the sorts of contribution to growth that you have been talking about?

Nikhil Rathi: I have always said at this Committee, over the years that I have been here, that the structure and architecture of regulation is a matter for Government and Parliament. It is our job as the FCA to implement those decisions.

I know you met the PSR leadership recently. I think that PSR colleagues can be proud of everything they have achieved in their time on APB fraud, open finance, and delivering innovation in the payments architecture. The PSR works incredibly closely with us already. We received a joint remit letter from the Chancellor. It is a subsidiary of the FCA. They are employees of the FCA and are on FCA contracts. We have a joint staff committee, and there is much that we do in a joined-up way.

As payments have evolved over recent years, with dramatic innovations, there is a natural evolution to bring us into line with what happens in other major jurisdictions to bring a degree of greater coherence. I entirely understand the sentiment from this Committee that somehow the work of the PSR, which is critical, might get lost in a large organisation such as the FCA. I want to give you some assurance that we are determined to make sure that does not happen, and we will co-operate with whatever scrutiny arrangements you would like to put in place to assure yourselves of that.

Q203 John Glen: When I was a Minister and I went abroad, the FCA had a reputation as being world-class, but when I came back home, it was less so. The stakeholders would always challenge me and say that there were issues, some of which you have been talking about this morning. One of the things we had was a regulatory initiatives grid, which was an attempt to consolidate all the prevailing activities of the different regulators that affect firms—I think a new publication is due on that. You would acknowledge that, when you talk to firms, one of the biggest challenges is uncertainty. They want to know what prescriptions they need to make on investment to comply with regulations. How will you avoid a situation where, in this flux, as there is a consolidation to a smaller regulatory burden, you create uncertainty, which has the opposite effect to stimulating more investment and economic activity?

Nikhil Rathi: We have published today the first phase of the output in our call for input on the consumer handbook, which we launched alongside our publication of the first report on the secondary competitiveness objective



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last year, and we have received around 170 responses from a range of firms, trade bodies and consumer groups. We have set out the areas there that we are going to prioritise in simplifying the regulatory burden.

You are quite right to point out that people talk to us about uncertainty and predictability, and the move to the consumer duty is a deliberately outcomes-based move. We are deliberately saying that we want to move away from detailed prescription. We think that that is necessary for a technologically advancing industry such as financial services, because it is simply not possible for us to write regulation for every new advance that comes. With AI, by the time that we write regulation and make it effective, it will be out of date. Therefore, having the outcomes-based regulation and the consumer duty, alongside our senior managers regime for governance and accountability, gives us a bit of an advantage over some of our competitor jurisdictions in enabling innovation.

I also think this requires a different dialogue with firms. For example, on the consumer duty, we have said that we are not going to go after every technical breach. We want to see reasonable endeavours to deliver these outcomes, and we are working very closely with the Financial Ombudsman Service to make sure that there is alignment there, because consistency is raised as an issue. We are publishing more good and poor practice case studies, as we did recently in our review of work on vulnerable consumers, and also on insurance markets, so firms can get a good sense of where we are coming from. Through that more elaborate dialogue with firms, we would hope to tackle some of the concern that you have just raised.

Q204 John Glen: My concern was that when we had the regulatory initiatives grid, which still exists, my experience was that every individual regulator would want to maintain their individual initiative, because it sounded meaningful on its own. However, the collective burden of everyone's meaningful individual initiatives was, in aggregate, too much regulation. How are you going to reconcile what to drop and what to continue with? In truth, every part of financial services has a distinct oversight regime in place. How do you see that process of arbitration happening? Will it be led by industry? How do you reconcile that with the fact that, if you go to more of that principles-based approach, you risk creating an ambiguity over what you are actually going to intervene on?

Nikhil Rathi: It was my turn this month to chair the Regulatory Initiatives Forum, which finalises the grid—maybe I will use the chair's prerogative to spoil what we are about to announce in a couple of weeks' time. I think you will see a huge amount of coherence across the regulators, including myself, Sam at the PRA, the Information Commissioner, the Pensions Regulator and others. We come together, and the Government is present too.

The Government has been crystal clear about its strategic direction on regulation and growth, and it is important that we are all engaged and respond to that. We are going to pull back from some initiatives, some of which we have already told you about. For example, we are not moving forward with our data proposals on diversity and inclusion. Why is that?



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There are other regulators in the space, particularly Government and Parliament, that are legislating on general action plans and on ethnicity and disability pay gaps for the entire economy. It does not make sense for us to do something bespoke in financial services.

We have said that we are only going to bring forward new regulation where we judge it to be really necessary. For example, before we move forward with some of the proposals that we had on our grid for this year, about additional capital for investment firms, we are going to wait to see how some of the consumer duty is bedding in, and how some of our work on ongoing advice settles. Likewise on data, we have moved forward with a number of data requests, but we are going to allow those to bed in before moving forward with new ones. We are also going to rely on the consumer duty before coming forward with new rules on debt advice. Where you will see the number of initiatives go up is based on what we have announced this morning in terms of simplification. Those also count as initiatives, even when you are reducing rules or simplifying rules.

Q205 John Glen: Can I give you one specific example? When I was involved in this, there was a consultative process with the Government about cards, and about increasing the limit for making card payments from, I think, £30 to £100. Some people, including the Prime Minister at the time, said that we did not need any limits at all. The advice I received was that that would be irresponsible because there was a consumer risk. I think that one of the ideas that has been mooted is that we have no limits, as with Apple Pay. So in a matter of just two or three years, the concern about people being at financial risk from having no limits seems to have gone. How do you see that issue now? Why has the consensus changed? Is this really going to be a meaningful initiative for growth, or will it actually just bring consumer harm?

Nikhil Rathi: We learn as we go. When contactless payments were introduced, we did not have the scale of adoption, the evidence on fraud or indeed the level of take-up of digital wallets that we have today. We have published an engagement paper, and we are looking forward to all the feedback on that by May. It sets out the data very openly: there are actually lower levels of fraud on contactless payments than there are on other forms of payment.

We have also looked at international experience. We are not talking about having no limit at all. What happens in the United States, for example, is that they leave the banks to set the limit themselves, and customers can also opt to set their own limit. Some banks in the UK do that already. There is a £100 limit that we set, but as a customer, you can go to your branch, or you can go on to your app, and say that you want to cap your limit at £50 or £75—whatever suits your circumstances. Some of our thinking is that that might support innovation, because you allow a degree of variability and some innovation in the market.

I am personally not a huge fan of very hard-coded monetary limits in legislation. We always have to review them every couple of years because of the economic circumstances changing, which means cost, time and



effort in terms of systems. If we can think of a way of moving to a more flexible approach, that might future-proof payment models.

Q206 Dame Siobhain McDonagh: Mr Rathi, you have obviously read the memo and you have got God on growth, but could that mean that, actually, the FCA are involved in a bit of virtue signalling? I understand that you recently scrapped the requirement to have a consumer duty board champion on every board. It costs nothing, but it does concentrate the minds of on boards on the consumer duty. So why do that?

Nikhil Rathi: I read every memo, including the Treasury Committee's, in some detail.

Dame Siobhain McDonagh: You mustn't get much sleep.

Nikhil Rathi: We always said that the consumer duty board champion role was most important during the period of implementation of the consumer duty, during 2023 and 2024, so that we could get an additional layer of assurance that boards were taking it very seriously. Now, with the consumer duty fully in force, we felt that it was appropriate to give firms flexibility as to how they manage their governance. Boards remain responsible for the delivery of the consumer duty; that does not change. Whether you have a dedicated board member who is a champion or you wish to arrange it in another way, we will leave that to boards to decide. We have 42,000 financial services firms. Each has different governance and arrangements, and they have a degree of flexibility as to how they deliver it. We will be holding everyone to account against the delivery of the duty, and we are seeing some good progress. I would be happy to talk you through how we are seeing that evolve.

Q207 Dame Siobhain McDonagh: You save no money and you save no bureaucracy. There is an opportunity for somebody on the board to have the responsibility to concentrate on the consumer duty. My late sister was the consumer duty board person at Standard Life. She read every single document that went out to consumers, because she accepted that as her responsibility. She wanted to be sure that the company, of which she was very proud, did things properly. How does it help to abolish that role?

Nikhil Rathi: There is always this judgment about how prescriptive we should be about specific board champions, be it on the consumer duty, on whistleblowing or on other matters, versus saying to the chair of a board—who has senior manager responsibilities and has to be approved as a senior manager—and the executives that they have to make sure that the governance arrangements they put in place comply with all our requirements. Some chairs said to us that they would like the entire board to take the consumer duty seriously, and they have a different way of wanting to implement the consumer duty.

Q208 Dame Siobhain McDonagh: But you and I know that if everybody is responsible, nobody is responsible.

Nikhil Rathi: The boards are responsible, and ultimately the chair of a board is responsible, for making sure the governance delivers what is



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needed in terms of our regulation. Some firms may choose to retain a consumer duty board champion; others may choose not to. Bear in mind that we have some small firms that may have a board of only two people, so giving them a degree of flexibility may be seen as advantageous.

This debate around the level of prescription is something that is going to come up in all our work on the consumer rulebook. We have put out proposals today, for example, around whether we should be as prescriptive in disclosures around APRs or allow a bit more flexibility in the market, and whether we should be as prescriptive on mortgage disclosures.

We could not make the argument that this role was absolutely essential for the delivery of the consumer duty. I can hear the force of your point, but we think that giving people a bit of flexibility was the right step to take, and now it is embedded.

Q209 Chair: To pick up on Dame Siobhain's point, if somebody is doing that due diligence on everything from a consumer perspective—sitting in that consumer position and looking at things through that lens—that is very different. We have all seen boards where, as Dame Siobhain says, everyone is responsible but no one is responsible. The ones I have seen that have failed often failed because someone thought that someone else was dealing with something, or perhaps they trusted the papers a bit too much but did not see the perspective. You seem very confident that there is no risk to consumers, yet a lot of your work as a regulator is about being on the side of consumers.

Nikhil Rathi: We are doing a huge amount with respect to our objective on protecting consumers. The consumer duty work programme is very thorough. We have introduced new outcomes and data collection across a range of areas, and we follow up on those. We will always be holding industry's and specific firms' feet to the fire where we see issues. For example, we saw the percentage of complaints on insurance and claims handling to the FOS go up by 18% in the last period. We have dedicated work going on in the industry on motor insurance claims and on home and travel claims, and we will be looking very closely at what is happening there. We spoke to this Committee previously about life insurance claims.

That data-led approach is how we will be supervising. We do not think that having one specific non-executive director is itself going to be the solution to making sure the duty is successful and delivers what we need it to.

Chair: I think this is going to be an ongoing debate, especially with changes in regulation.

Q210 Bobby Dean: I would like to pick up on something you said in answer to Mr John Glen. You said that there is a huge amount of coherence across the regulators. The Treasury's "New approach" policy paper says the opposite. It says, "Regulation can be too complex and duplicative," and it talks about how, although each regulatory intervention might be rational on its own, the cumulative effect is causing "unintended consequences".



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The Treasury goes as far as saying that it can cut administrative costs for business by 25% by the end of the Parliament by tidying this sort of thing up. Do you think that is achievable for FCA-regulated firms?

Nikhil Rathi: We will have to see what the methodology is. There is some work to do with the Treasury and the Government more broadly on how that is defined and on how you account for benefits as well as costs. We are very focused on making sure we have proportionate regulation.

On your point around coherence, you hear from us and the other bodies in the regulatory family, like the PRA, about how we work together—and we do work very closely together. A couple of weeks ago, I wrote a joint letter with the Information Commissioner to all the financial services trade bodies, because we were hearing feedback on some of our sprint work on artificial intelligence and data application—that industry was not sure how financial regulation and GDPR sat together. We said, “Okay, bring us your problems. We will have a roundtable in May, and between us we will fix those issues.”

We work incredibly closely with our partners on enforcement and financial crime as well. Does that mean we cannot go further? Of course we can go further—we need to get data sharing in the right place and to get alignment on our strategic goals. For example, the Government’s economic crime plan is instrumental for us in deciding how we co-ordinate and prioritise our resources so that we are all aligned.

Q211 **Bobby Dean:** Going further and co-ordinating better sounds quite a distance away from what the Government think is achievable by regulatory reform. They even say in their paper that they think that “the impact of red-tape costs could be as high as 3-4% of GDP”. They admit in a footnote that that is fairly loose and based on figures from 20 years ago from other countries, and so on, but do you accept that the growth potential of regulatory reform is as high as that—that it could be transformational for growth in this country?

Nikhil Rathi: I am not here to talk about the Government’s figures; I am sure you will speak to the Treasury about that. We as regulators—the FCA is one of the largest economic regulators, if not the largest, in the country—acknowledge that how we regulate plays a role in the investment climate in the United Kingdom. We have a very strong story to tell in terms of our performance as a global financial centre. We remain the second largest, and we have, in recent statistics, closed the gap further. Around three quarters of firms think that the FCA enhance the attractiveness of the United Kingdom. Some 97% of our practitioners said that they felt that we were doing a good job on market integrity.

At the same time, we get feedback that there is scope for us to be more proportionate, to be more pragmatic about some of the data requests and to move faster on innovation. Addressing all of those openly and having this good risk discussion with you will enable us to stay at the front of the pack.

Q212 **Bobby Dean:** Might that be one of the issues that the Government are



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having in understanding the value of the work you do? It is possible to add up the number of people you employ to work on regulation and attach a monetary figure to it, but much more difficult to discern the value in terms of the benefits of regulation—the stability that you provide to the market, and so on. Can you talk to us about how you define these things in monetary terms, and about the benefits of the FCA’s work?

Nikhil Rathi: Financial services in the UK economy represent £208 billion—around 10% of our GDP and around £71 billion of our trade surplus.

Q213 **Bobby Dean:** But, specifically, how does the regulator contribute to that? We are all aware of how important it is to the economy.

Nikhil Rathi: The regulator contributes to that by delivering a regulatory framework that is aligned to high, internationally consistent standards. There is trust and consistency in our approach, which makes it attractive for firms from all over the world to come and locate here in our jurisdiction. We play a thought leadership role in those standards. I would say that we are world-class in how we implement our work—Ashley can speak to that, given his international experience. Very often, we find that the work we do is looked at very closely by some of our closest international partners. Mr Glen touched on that when talking about his experience. That is an important part of our reputation and sustains the ability for that part of our economy to be the most significant part when it comes to our trade surplus.

Q214 **Bobby Dean:** I accept that, but that is qualitative feedback. You are up against the figures that the Government are quoting: £70 billion—worth of red tape costs. Is one of the difficulties in making the case for regulation that you cannot have hard figures to back it? It is a counterfactual, really—how much money have you saved the economy by providing the stability and everything that you have described?

Nikhil Rathi: We have a whole range of metrics that we publish and measure, some of which we control and some of which we contribute to. We published the first set of competitiveness metrics alongside our first competitiveness report last year. We have set out in our strategy today further metrics that we will publish. All of this is a rounded judgment. We present all of this to the Committee to help you make a rounded judgment. There is no one figure that answers all these things. The fact that the export levels of UK financial services have continued to grow is a positive for our economy. The number of jobs has gone up.

We are also seeing improvements on inclusion, which we will publish in our “Financial Lives” survey. The number of people without bank accounts in the UK has gone down in the last two years. More people are accessing some core financial services. That is, and always will be, very important to the ethos of the FCA. We want to bring all of this together and deliver on all fronts.

Q215 **John Glen:** One of the things that you have done under your leadership is initiate and lead a transformation programme for the FCA. I think we all



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appreciate that the transformation programme is trying to transform an organisation of nearly 5,000 people, and you have said in the past that Governments over time have added more and more into the FCA. Could you update the Committee on how your transformation programme has progressed, and what effect you think that will have on improving the interface with the firms that you regulate?

Nikhil Rathi: Mr Glen, you will be familiar with this, as the Minister who was in post as I was appointed and as I embarked on the programme. I was always very appreciative of the cover and support you gave. Public sector reform is not easy; it takes time, it is hard, and we are under a lot of scrutiny.

First, I am immensely proud of my colleagues. We have put through a huge amount of reform over the last four and a half years—some of that difficult and some of that challenging. My colleagues—5,000 of them now in London, Leeds and Edinburgh—have stuck with us. We have our lowest voluntary turnover rate other than during the year of the pandemic. We have very high retention rates of colleagues now who have eight or more years' experience. We are an organisation that is genuinely national now, with 10% of our colleagues in Leeds and Edinburgh.

We have a stronger operational platform. We have moved to the cloud, and we are using data and intelligence in a much more sophisticated way, which enables us to go after harm faster. For example, in the last year we have intervened 20,000 times to require misleading or problematic financial promotions to be amended or withdrawn—two years ago, that figure was 570. That shows the industrial scale with which we are able to use technology now to go after harm much more quickly.

We have introduced higher standards—consumer duty being the most notable—which provide a really firm springboard for the future. I hope the Committee has seen over the years that we have also sought to respond to feedback you have given us about seeking to be more open, including where things do not always go right, so that we can learn the lessons and also have a debate with you about how we are prioritising resources and risk. All that sets us in a really good place to deliver the five-year strategy we published today.

Q216 **John Glen:** I acknowledge that progress, but in terms of what is outstanding, one of the things that I think firms would probably say is that the interface with the FCA can sometimes be quite clunky, and the iterative process is not as smooth or as quick as necessary. When you are an entrepreneur, burning through risk capital, you want that to be quicker. Can you say something about how you see the progress to date? Obviously, you will not want to expose what you have not done, but can you tell us—for the Committee's benefit—how the interface with companies that you regulate will hopefully get better?

Nikhil Rathi: Sure. One thing we have published today, which is bold, is that we are going move away from having 43 portfolio letters in each sector for chief executives to seven simplified market reports. We are



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looking to retain only, by exception, the thicket of Dear CEO and other supervisory publications that predate 2022 to make it simpler. Sheree may want to talk about the work on authorisation, and Ashley might want to pick up on that as well.

Ashley Alder: The point I was going to make was from a board perspective about the challenge to the executive team over the last few months when it comes to our interface with the industry. Yes, we have a strong platform—in fact, a world-leading platform—when it comes to our approach to consumers, and of course that is configured around consumer duty. We are leaning into consumer duty a great deal, and Nikhil mentioned earlier, in relation to the publication today, the feedback on our call for input on the question of outcomes versus prescription.

Again, as Nikhil talked about, basically, the challenge was this: the reflection to me and others from industry is threefold. The first point is around what I call the velocity of policy—that is, the volume of policy making coming out of our organisation and others in aggregate. I think he also mentioned that earlier. That is a real issue. The question then is how to be rigorous around prioritisation, and the challenge is to do that without letting go of the standards that we have achieved for industry and consumers, and within wholesale markets.

The second point that Nikhil touched on is the supervisory interface. When I first arrived in this role just over two years ago, that was one of two points raised with me by industry; the other was authorisations, which Sheree will touch on. The third element, which we have discussed with the executive team in some depth and which Nikhil has touched on, is the volume of data requests. As Nikhil said, we need data, without any doubt, but the question then is: what is the level and detail of data we need to address the risks that we are concerned with? That is a genuine question.

In those three areas, that is the challenge to the executive team from the board. The executive team have picked that up with alacrity over the last few months, as part of the overall strategic positioning that has been published today. But maybe I should pass over to Sheree.

Sheree Howard: Ashley has mentioned the fact that a core focus was on backlogs. Nikhil also mentioned earlier that over 99% of our applications in the last quarter—the last full quarter, which is Q4 of 2024—were determined within the statutory timeline.

In terms of our openness and being more transparent, we have also now published quarterly statistics that demonstrate the lower quartile, the median and the upper quartile number of days. That is calendar days, including weekends and bank holidays, and ignoring the stop clock on all those other things that apply in legislation to get applications determined. That is part of it. For example, if we talk about the senior managers regime, the median is about 40 days, which is less than half of the actual statutory timeline. The upper quartile is something around 60 days.



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That is about speed, but that does not answer your question about the clunky interaction. We are very focused on that. I have spent a long time meeting a range of firms and trade bodies and listening to their feedback. We are taking some of that forward. A key part of that is digitising our forms, and that progress is under way. It is not a straightforward and easy process, and it will take us time to do it.

The feedback we have received on the very first form that we have digitised—we have digitised three now; the first one, which is our most prevalent, is the senior managers form about getting an approval for a senior manager—is very positive, in that it is much easier to use and everything is in one place. We have cut down the additional paper that people have to append to the application. That has been positively received. We are now working our way through; we are on the new firm applications now, along with some of the payment services forms.

That will improve focus, and we will see less backwards and forwards because, as we are digitising the form, we have been thoughtful about what we need and about making sure that we get everything we need. That is also enabling us to implement greater validation right at the front end, so that we can be certain that the data is accurate from that perspective.

In time, however, it will also enable us to have alerts and things from the digitised data. If firms tell us they will grow in one way, we will receive alerts when they have been authorised that say, “Well, actually, they are growing faster than that,” or less than that, and we should be examining why that is and having a conversation. It will help our supervisory colleagues down the line. I think there are many advantages. As I say, feedback has been positive, but we are in the early days.

Q217 John Glen: When we think about financial services, the UK is broadly very competitive if you look across Europe. However, it is always cited that the US is the place where things are faster, with higher growth and so on. Do you have a perspective through the international networks that you operate in as to how we are doing in terms of best practice globally in this regard? I ask that because many of the firms that you regulate operate in multiple jurisdictions. How do they see your progress against what they can see as best practice in the rest of the world?

Sheree Howard: Obviously, everyone has recognised the fact that we are now much more speedy. That does not necessarily mean that we are providing best practice. We are working and seeking feedback from firms on how we can improve. It is a continuous journey. We have a whole plan of things that we want to do.

One of the things that we have committed to in the PM letter is to increase the preponderance of “minded to approve” or “minded to authorise”. The feedback that we have received has been quite strong around the fact that we want to dot all the i’s and cross all the t’s before we actually—

Q218 John Glen: You want to give a signal earlier.



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Sheree Howard: Yes: if we signal earlier, that will give investors confidence to keep funding in the firm. We have received that feedback from firms. Whether that happens internationally, there has been very strong feedback where people have said “I would have kept going” had that happened.

Nikhil Rathi: On the practitioner panel survey, we are surveying tens of thousands of firms this year. We will of course share that in our annual report with the Committee. We tend to get strong feedback on how we contribute to the UK as an international financial centre and on the depth of expertise that exists at the FCA, which many would say is among the best in the world—if not the best in the world in some areas. We of course have to keep working on our operational performance.

There is one rider that I would give to all of that, however, and this is where we need the support of the Committee: where you may get feedback that something is a clunky interaction and that case officers are being difficult. They have a job to do, and sometimes their job involves asking poky, difficult questions that those who are perhaps not willing to comply with the rules are not keen to answer.

I am conscious, Mr Glen, that you wrote a piece about crypto and you urged us to be more open-minded. We are not anti-innovation; we absolutely want to make sure that the UK is an attractive place. But let me be really clear with the Committee: 86% of those applications were refused because they did not meet the standards that you had given us in legislation to deliver on money laundering. We held back approvals of some of the largest firms in the world, which did get approvals and license to operate in other very large jurisdictions. We got a lot of flak for that, including from some of your former colleagues, but we had a job to do. Some of those things went badly wrong elsewhere and we did not allow that to happen here in the UK.

Q219 **John Glen:** The point I was making was that, as you have acknowledged in this session so far, the world is changing. The competitive environment is changing and therefore it is incumbent on the regulator to ensure that the UK as a jurisdiction brings clarity on what the regulatory regime is. Having that is important in terms of investor confidence, which I think you acknowledge.

Nikhil Rathi: Absolutely.

Ashley Alder: I have just one very quick point on this. One of the overriding objectives and purposes of the strategy that we are publishing today is to signal very clearly what the FCA is about. I think that in years past—I have seen this from different standpoints internationally—the FCA has been regarded by its peers as best in class internationally for all sorts of reasons. Domestically there has been a high level of confusion over what its core purpose is. In the strategy that we are publishing today, one of the objectives, as I say, is to land on that purpose very, very clearly.

Q220 **Chair:** We have had Governments of different colours leaning into the



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secondary objective on growth. Do you not think, Mr Alder—you have come in more recently as chair—that that is quite confusing? You can put it into a document and strategise it, but you are being pulled like a pushmi-pullyu in different directions, aren't you?

Ashley Alder: Yes. I read your op-ed in the *FT*. It landed on this exact point: is there an either/or problem here to do with our core objectives, including the consumer objective, and growth? What we are looking at from a practical perspective as a regulator and what we are positioning our strategy to do is absolutely lean into growth, for good reason.

You may have seen that Andrew Bailey made a speech yesterday. He commented on growth, but he was also commenting on the demographic challenge that we have. We have a situation where, with pension freedoms, people have choices to make. How do we lean into those choices to give as much help as possible? That is AGBR and similar. All of these interlocking aspects of our strategy basically go to a preservation of standards, which from a consumer perspective are mainly around consumer duty, but at the same time recognising that there needs to be a shift in the balance of risk in the system and an explicit acknowledgment of that to then lean into growth.

Q221 **Chair:** Do you think that the productivity gap is a result of poor regulation? Will all of these things, even in aggregate, really drive growth?

Ashley Alder: I will just mention one aspect of what we are doing, which is broadly around investment and capital markets. There has been lots of commentary over some time now about the degree to which pension funds invest in UK enterprise effectively and the degree to which the population as a whole have the tools available to them, or do not have the tools available, in order to participate. Contrast that with the United States and other jurisdictions.

I think it is very difficult at this stage to put numbers on this, but we have significantly changed the rules around the ability of businesses to get into the shop window—in other words, listing rules down the track; PISCES, which we can come on to; and long-term asset funds. We have changed those rules—or some are in the process of being changed—and that is significant because it allows businesses to get into the shop window.

The trick here, or the objective, is effectively to encourage pension schemes to prioritise long-term returns over cost. Alongside that, to put the tools that are valuable to individuals, who have choices to make, particularly given the demographic problems—

Q222 **Chair:** We will come on to that when we talk about PISCES.

Ashley Alder: Those projects and reforms, which are intersecting, are a large part of the story around the relationship between regulation and growth.

Q223 **Chair:** You talked earlier about the velocity of policy. Parliament and Government have to take their part of that. But we are now seeing a velocity of change—we will come on to some of the regulators that you



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have got connections with in a moment. We had one of the new members of the PRC in front of the Committee the other week, who said that changing things—actually retracting the regulation—can also create burdens for businesses. Is there not a danger that we are just throwing a lot of chaos into the mix, despite the demands of many businesses to reduce regulation?

Nikhil Rathi: Yes.

Ashley Alder: Yes. Just quickly on this, last summer we put out the call for input to ask, as we were moving to an outcomes-based approach, to what degree does that mean that we can dispense of the rules that exist in our handbook? It was a fair question for the industry to ask, and for us to raise in that context. Ostensibly, that question goes to regulatory burden, fundamentally.

We got a lot of feedback, and it was really useful. What we got back in response from industry was that simplification was broadly welcome. You may have seen that the European Union is going down the same path with a programme that they call their competitiveness compass. There is very similar rhetoric around that.

That is welcome simplification but, as was touched on earlier, there is caution around a rapid shift to high-level rules. There is a degree of anxiety around interpretation, judgment and how specific the rules should or should not be around a shift to a outcomes-based approach. There was a degree of concern in that context from a consumer protection perspective, and also in particular from small firms, which may feel that they are not necessarily equipped to make such a quick shift.

On top of that, there are implementation costs. Quite clearly, if you are looking at a significant change, and firms have baked the current rulebook into their systems, there is an implementation cost around change. That is why, right now, the organisation is taking a more targeted approach to the rulebook. I will not repeat what Nikhil said earlier on, but he went through a few of the issues on that. For us, this must be an evolving story and project.

Nikhil Rathi: We will try to be as creative as possible here, because we have conflicted feedback from firms. In the letter that he sent to us on Christmas eve, the Prime Minister asked us to deliver this year, so there is a desire for urgency. We replied in early January, so we had a busy Christmas. We have said today that we are not having a widespread overhaul of the rules. One of the things that I have said publicly is that maybe one way through this is to have long transition periods when we do change the rules, so that those firms that are ready to move quickly can move, but those smaller firms that need the time to pace their change are given the time and space to do that. That carries a cost.

Chair: We might get on to this issue, but there were the problems with bank payments recently—Barclays was at the centre of it—and when we wrote to them about the outages, the information we got back from banks



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was often in quite different formats. So it is interesting to us to see how organisations provide data. We could go on about this forever, but we need to move on to other matters.

Q224 Chris Coghlan: Mr Rathi, in a speech in the autumn, you asked whether private markets would be a risk or an opportunity. What opportunities do you see, and to what extent do private markets represent regulatory arbitrage rather than innovation?

Nikhil Rathi: We want to see businesses being able to access capital from a range of sources, be that public markets or private markets, in the form they would like—equity, debt or other forms. We have a leading global private markets industry here in the United Kingdom that manages these assets not just for investment in the UK, but globally as well. We have a significant growth in non-bank actors—hedge funds, private equity, family offices, sovereign wealth funds.

To a point that Ashley made earlier, this is one area where we need data. As the scale of these activities increase, we want to make sure that we understand what is going on. I don't want to make a call early that this is somehow some very significant systemic risk, but we want to understand what is going on, particularly where significant leverage is being taken, and what the interconnections are between, for example, hedge funds who take on significant leverage and banks that are part of the financial system, so that we are alert to risks but manage those in a proportionate way.

We have also published a review in the last couple of weeks on valuation practices. Public markets are transparent; you can see the prices at the end of every day and there is a benchmark for valuation. Private markets, by definition, do not have that infrastructure. One of the things we were keen to understand is what the processes are when people are valuing these assets with respect to investors. We saw some good practices, but we have also called out some areas where we would like to see improvements—in the way that conflicts of interest are managed, in the way that independence evaluations are undertaken, and in some of the formality around ad hoc valuation processes when there are significant disruptions in value.

That vigilance is also an important part of the work we do. I co-chair one of the groups of security markets globally that is also very vigilant on these issues.

Q225 Chris Coghlan: It sounds to me as though regulatory arbitrage is a significant risk. Of course, the opportunity in this fast-growing market is hugely attractive to the UK, but when Lehman collapsed, one of the biggest issues was that no one knew who the counterparties were. You have done a vast amount of work ever since in the public markets space; surely there is quite a significant risk of repeating the same mistake in the growth in private credit here.

Nikhil Rathi: I believe, on the latest statistics, that around 15% of our outstanding corporate debt in the UK is debt from private companies—

companies that employ around 2 million people here in the UK. You are right that what is important for us is to have the data. I don't think we are in the same position that we were in in 2008, in the way in which we collect data. We have centralised trade repositories and central clearing in many markets, and we have direct powers to access data as well. We are reforming some of the reporting requirements, for example, of the hedge funds and in other areas. But it is not just our data that matters.

That is one of the really critical issues that we are working on globally—my colleague Sarah Pritchard, our executive director for international, co-chaired a group globally around non-bank data. There are significant improvements needed around the world because we need to have that cross-border sharing of data, precisely to avoid the point you make. It is not necessarily regulatory arbitrage within the United Kingdom. It can be regulatory arbitrage cross-border, to go to the jurisdiction where you have to give the least report.

Q226 Chris Coghlan: How does PISCES fit into that? The *FT* reported that multiple venture capital and private equity investors are unlikely to use it. Is there enough demand for PISCES? Is it not a bit of a contradiction in terms?

Nikhil Rathi: We don't know, but we also don't make policy based on one *FT* report—although I would say that we did look at your op-ed very carefully, Chair; that *FT* report was particularly influential in our organisation.

We can't stand still. We know that there is an issue with the way in which private companies are willing to access capital here in the United Kingdom. Not all of them find the move to a public market environment immediately appealing. Founders want to hold on to their shares, employees may want to trade those shares, and some of their institutional investors may want to trade them, too.

The Government are leading the way on this because they have to legislate, and they will legislate so that we can take this forward through a sandbox. We are going to try something new, so that a broader range of investors can access these potential opportunities. There will have to be an adjustment to some of our market abuse rules because it is not in the public environment. There will be intermittent trading. There will be potential for discretion around price bands, and we will limit it in the first instance to certain sophisticated investors, and high net worth investors and employees. As you say, some say they don't want to use it; they don't have to use it. Others say that they do want to use it, and we will see.

Q227 Chris Coghlan: Sure. As someone who used to work in public markets, I am just trying to understand how the market maker demand for this kind of thing would work. You are essentially just creating another form of public market, so why would a PE fund not just want to go and do the normal over-the-counter type of transaction?

Nikhil Rathi: This is going to be intermittent trading. It will not be continuous trading during open market hours. The potential frequency of

that intermittent trading is something to be determined. For example, employees could have shares in a private company but no way of realising them. They may find it useful at certain points in the cycle—after results have been produced or at other points—to have a mechanism to realise those shares. Strategic investors may also want to take advantage of that opportunity to buy in. As I say, it is early days; we will see if it works.

Q228 Chris Coghlan: It might have been the *FT* that characterised an insider trading risk with this. How do you mitigate that, and is it an unfair characterisation?

Ashley Alder: PISCES is a really good example of what we were touching on earlier, which is trade-offs and risk rebalance. Although those who are able to invest and participate, at least in the first phase, will be restricted to “high net worth” and “sophisticated” under our definitions, that is nevertheless a significant section of the public, and they will be interacting with small firms, by definition, outside the normal regulatory regime when it comes to things like insider dealing and market abuse. That is how it has been set up.

That risk trade-off is, first, go in with your eyes open. It leans more into caveat emptor. There is an emphasis on operating over a platform to manage risks within the platform, but they will not be managed in the same sense as a fully regulated, normal public market. That is quite deliberate because, as Nikhil said earlier, some objectives relate to one issue that has bedevilled growth for businesses, which is start-up to scale-up. Scale-up is fundamentally about transitioning to a broader investor base.

I know the *FT* article said that some of those investors may not be interested, but, as Nikhil said, put it out there. Don't not do it because some may not agree or may have different commercial objectives. Just have eyes open that there is a higher risk that companies that take advantage of this will not be under the same set of regulations—it is different—and some may fail, or investor losses may occur. That is a very good example of the trade-offs we were talking about earlier.

Q229 Dame Harriett Baldwin: Further to Mr John Glen's questions about the rolling in of the Payment Systems Regulator into the FCA, can I ask Mr Alder whether the FCA board proactively offered that to the Treasury as a way in which things could be simplified on the regulatory front?

Ashley Alder: No, we didn't. We didn't offer it up as a project for the Government to take on, as it were. However, one thing we did that was effectively part of the journey—as I say, it was not to do with a specific proposal to fold in the PSR—was make a decision, around the time the national payments vision was published, to create a new ED post for payments and digital finance. There is an interim role—you saw David not long ago—but that person would then also be the managing director of the PSR. In a sense, although it was not an ask, that set the direction of travel.



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On the PSR, as Nikhil mentioned to you, the payment system is enormously different from the one that existed 13 years ago or thereabouts when the PSR was created. I will say one word—stablecoins. One piece of work with us and the Bank is to do with stablecoins and the regulatory framework around that. One use case for stablecoins is payments. The other thing that we do within the FCA is look at payment firms, as distinct from payment systems. The direction of travel around integration and efficiency, and the policy consistency around all that, was correct.

Q230 Dame Harriett Baldwin: But the Payment Systems Regulator, from the Committee's point of view, and certainly speaking personally, rolled out authorised push payment reimbursement last October, which many of our constituents benefit from. Forgive me for being a bit sceptical, but I am sceptical that that would have happened if payment systems regulation had been under the umbrella of the FCA for the last few years.

Ashley Alder: It is difficult to comment on the counterfactual but frankly, given the policy focus on fraud, and particularly on APP and financial crime controls within firms, which is the fundamental focus, I do not believe—sitting where I am now—that there would necessarily have been a different outcome.

Q231 Dame Harriett Baldwin: Okay. As you say, it is a counterfactual and we can hold different views on that. When did you hear about the decision, Mr Alder? Was it the same day that we heard that David Geale and the chair of the Payment Systems Regulator heard about it—in other words, the day before it was publicly announced?

Ashley Alder: We heard in contact or in interactions with the Treasury, I think it was around late January, that plans were in progress around the PSR, but what those plans would result in was not particularly clear. Around late February, we were told that it was probable that an announcement would be made around the PSR sometime in March, but again, it was nothing specific. The day that we learned that there would be an announcement and a change was, I think, 11 March—the day before it was announced.

Q232 Chair: So you knew before they did. You got the calls in February and you had information. They got the call the day before—on 11 March.

Ashley Alder: Well, 11 March was the day that we were told that an announcement would be made. Anything prior to that was discussions around the payment system and around the PSR in general; there was no certainty.

Q233 Chair: Did you get a phone call? How were you informed?

Ashley Alder: I didn't personally.

Nikhil Rathi: The discussions around the PSR have been out there for some time, including in the run-up to the national payments vision—

Q234 Chair: We know that; certainly there has been stuff in the ether. But there



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is a difference between it being in the ether and you knowing as the body taking them over.

Nikhil Rathi: The Treasury's thinking was going in this direction. We were hearing it from Treasury officials—actually including the PSR.

Q235 **Chair:** So who was called? Did you get a phone call the day before, or how were you informed?

Nikhil Rathi: I didn't personally get a phone call. I think one of my team did, and I think the PSR did, and that is how I learned—

Q236 **Chair:** It is just that you have been in and out of No. 11 and Downing Street, but the PSR were not in that position. They had not had any contact since their letter—

Nikhil Rathi: I did speak to the Economic Secretary the day before the announcement, particularly once I had already learned about it and particularly around the handling of the announcement. One thing that was very important for us at the FCA was to make sure that our colleagues at the PSR feel pride in everything they have achieved. Dame Harriett talked about APP fraud and other things, and we wanted to make sure that that was handled appropriately.

Q237 **Dame Harriett Baldwin:** Mr Rathi, in your operational decisions, in terms of integrating the PSR into your organisation, have you scored any savings in any budget projections?

Nikhil Rathi: Not yet, because the PSR will continue with an independent board until legislation is passed, for which I believe the target date for the Government, subject to parliamentary scrutiny, is by the end of 2026.

Dame Harriett Baldwin: By the end of next year?

Nikhil Rathi: That is for legislation to go through.

Q238 **Dame Harriett Baldwin:** And the legislation will transfer all the powers that the PSR has to you?

Nikhil Rathi: The Treasury has said that the powers will be broadly folded into the FCA, but it will engage with stakeholders in that discussion so that any other views can be fed into its final decision making, and then it will put that before Parliament in the legislation.

Q239 **Dame Harriett Baldwin:** So you could have absorbed the organisation without having got the powers across?

Nikhil Rathi: The formal ending of the PSR board will only come when legislation is adopted, but we are already acting on this. As Ashley described, we wanted to be integrated and coherent on open finance and on APP fraud. I hope you are reassured by what we have put in the strategy today, because we have explicitly called out the importance of tackling fraud and financial crime, including APP fraud. Over the last strategy, we have seen progress on investment fraud. It has been tough, but we have seen the numbers come down, and we have a record number



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of financial crime prosecutions. I hope we can assure you that on fraud, the FCA corporately is very focused, and we are leaning in hard.

Q240 Dame Harriett Baldwin: The PSR is doing an important piece of work on the high credit card fees that some of our constituents suffer from. Can you reassure the Committee that that will not slow down as a result of this organisational change?

Nikhil Rathi: The PSR work programme continues. David gave you that reassurance when he was before the Committee. I think that was in the letter from the Treasury to the Committee around the work programme. That work continues. There are highly expert colleagues in the PSR, and they are getting on with the job.

Q241 Chair: When we spoke to the PSR, we struggled to find what benefits there would be to businesses. In the end, the board will go, so there will be one board, quicker decisions and a more streamlined approach, but you are taking on all the staff, pretty much. You already have the payroll benefits and so on. Where will the savings be, both in money terms and in any reduction in stickiness for businesses going through you on these issues?

Nikhil Rathi: Mr Glen raised the point earlier around supervisory coherence and the number of interfaces that firms have with different regulators.

Q242 Chair: But they will have interfaces with different people in the FCA. They will surely still have to go through separate teams, if it is going to keep its work programme, as you just said.

Nikhil Rathi: Absolutely, but we can do some of the work programme jointly, such as the work programme on open finance. The payments remit letter that was issued to us jointly by the Chancellor last year asked us both to lead on open finance. We will have one organisation leading on open finance, working together, and it is the same for Dame Harriett's point on APP fraud. We will hopefully ensure that there is a good, streamlined interface across all our work.

My view on all these things has been consistent, which is that the architecture is a matter for the Government. Every single objective the FCA has to deliver—every single priority we have set out in our strategy this morning—requires us to work in deep partnership with other regulators and authorities in the system. That is why I have been very focused on making sure that we have the data sharing in place, we have secondments, and we share expertise and resource. We are probably one of the most connected regulatory bodies in the country. That is how we have to work.

Chair: We will be looking at this quite a lot in future. Even if it is absorbed into the FCA, the Committee will focus on the work of the PSR.

Q243 Yuan Yang: I have some questions about cash savings and, in particular, the cash ISA, following the speculation in the *FT* about lowering the £20,000 cap on the cash ISA and switching to cash and equities ISAs. Has



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the FCA done any impact assessment on the different groups this would impact, if the change were made?

Nikhil Rathi: No, we have not.

Yuan Yang: In our last session on the lifetime ISA, Anne Fairweather told us that the FCA is due to publish research on consumer saving and investment behaviour. I was wondering whether that has been done already, what the timeline is for that and what the questions are.

Nikhil Rathi: May I write to you on that in detail? We have published a whole range of research on consumer savings and investment behaviour, particularly on savings rates, but also on the use of technology. We are also producing our financial lives survey later this year as well. I can fill you in on the full work programme by correspondence afterwards.

Q244 **Yuan Yang:** Is the reason that you have not yet done an impact assessment of potential cash ISA changes that you do not see them as live proposals, or is there another reason?

Nikhil Rathi: Tax changes are a matter for the Treasury, so unless we are told formally that something is happening and we are asked to do some work, these are matters for the Treasury to decide. I think the Ministers have spoken about this publicly, and I know there are further opportunities for Treasury Ministers to explain what they are doing here.

Q245 **Yuan Yang:** Based on the research that you have done in the past on consumer behaviour, as well as your previous comments, Mr Alder, about investment culture in the UK and the lack of retail investment culture compared to, for example, Hong Kong and other areas, what would the impact of changing the cash ISA arrangements be in terms of moving different consumers into different forms of investment, or not?

Nikhil Rathi: I am reluctant to express a view on that cash ISA question because, as I say, tax matters are a matter for the Treasury. The broader point around whether we are getting the optimal outcome in the UK with the amount of money that is being held in cash—be that in no-interest-bearing current accounts, easy access accounts or cash ISAs—is a very relevant point that we are surfacing in our strategy as well.

A key piece of work we have been leading there is the advice guidance boundary review, because we clearly have a system in the UK where people are not feeling confident to get the advice they need, when they need it, at a price they are willing to pay, and that is perhaps making them cautious about moving out of cash and into different types of assets that might generate better returns for them over the long term. We are hoping that piece of work, which is accelerating, will help to provide one foundation in the market that will help people to make some of these choices.

Q246 **Yuan Yang:** My colleague, Ms Blake, will go on to discuss the advice guidance boundary review. Before we get to that, is it your overall view that, so long as consumers are given the appropriate guidance and access to good advice, investment behaviour will shift over the long run? Or do



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you also see that there are groups of low-income or risk-averse consumers who will forever be risk averse in their behaviour, and that is not shiftable? How shiftable do you think the overall culture is?

Nikhil Rathi: I think this will take decades, and I do not think that one aspect of our work on its own will shift it. We spoke last time I was here about a report the Education Committee did in the last Parliament about financial education and financial literacy in the UK. It was quite a seminal report, and it may be an issue that this Committee wants to lend its weight to, because we have issues that are quite serious that start in schools, but carry on all the way through the workplace in terms of the basic understanding of things like percentages, compound interest and other choices that people have.

Before you get into even a discussion about taking more risk with your hard-earned savings, we have to make sure that we have the right accessibility to those products at the right point in people's lives, including looking at how we can improve digital journeys so that people feel confident about accessing those products. I would say it is a range of things. Ultimately, there is also the question about confidence in the economy and growth and that you are going to get the returns.

Q247 **Yuan Yang:** If you were to take every single consumer in the UK—although of course you do not have personal insight into their minds—do you think all those different groups across income spectrums and different demographics could be shifted to more risk-taking behaviour in their investments, with better education, better advice, better guidance and so on? Or do you think that that only applies to a proportion of the consumer range in the UK?

Nikhil Rathi: It clearly does not make sense for every single consumer. There is a significant portion of vulnerable consumers who do not even have £1,000 in cash to deal with unexpected life events. We have to make sure we have a savings intervention, including discussions with the Financial Inclusion Committee on how that situation can be improved. There are some really interesting interventions that employers have been leading on workplace savings and payroll savings; even £10 a month over a few years can change people's resilience.

There will be consumers who will be saving for their first home who, again, may not be in a position necessarily to pursue market investments, but we also have millions of people who we believe have in excess of £10,000 in cash, who perhaps do not need to be holding that much in cash and might get better long-term security with a longer horizon. We want to make sure that mass market is served, too. We need something that works for everybody, from the most vulnerable to those who have more assets available but are not making best use of them.

Q248 **Yuan Yang:** You are looking at consumers perhaps in their late 30s or 40s who have bought their first home. They are relatively well off in that they have those savings. Is that the kind of demographic you are looking at shifting? Can you paint a picture of who you are thinking about?



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Nikhil Rathi: Age may be one component but there may be other people of a different age range who can take advantage of these opportunities, too, both older and younger. Everyone's life circumstances may be different as well. I am reluctant to give you too focused a cohort analysis.

We also know, for example, on pension saving that some of the biggest benefits to pension saving could come from starting that saving under 30, because you get the benefits of 30 years of returns. It applies to that group, too. The amounts you will save at that age will obviously be lower, because your earnings are typically lower than if you were further along the journey.

One thing I also think is not great is the sheer number of under 35-year-olds for whom the financial product that they invest in first is crypto—several million in the UK—rather than equities or debt or other types of products. That is something that we want to engage in as well, because we know there is very high risk, and you could potentially lose all your money.

Q249 **Lola McEvoy:** I think the majority of people in our constituencies have got the message that we have an issue with stagnating growth. You said, Mr Alder, that there is an issue on pension fund investments in this country. You said, Mr Rathi, that there is an issue with firms going public and with investment for those firms.

We all know there is an issue with the prevalence of cash saving in the country. Is the issue that you and your organisation have neglected the secondary objective of growth? Is that the real issue? When we are building all these things together, we are seeing a pattern of big problems with the pathway to growth. Is that a failure of the organisation on the secondary objective?

Nikhil Rathi: The secondary objective arrived in 2023. We have embraced the objective since it has been in force. Obviously, we had a different set of objectives prior to 2023. Dame Siobhan, coming from a different angle, said to me earlier that she felt we had got the memo on growth and competitiveness. We are embracing the secondary objective wholeheartedly. We have put 50 proposals to the Prime Minister.

We are talking about a mix of tax, education, regulation and broader culture in our country. For example, in the United States, 38% of households will hold direct equities. We have double-digit figures—20% or so—in Sweden, and in the UK it is significantly lower. That is not all on the FCA.

There is a much broader societal discussion that we need to have here. We also have evolved a particular approach to risk and compensation in the UK that perhaps is not matched in other jurisdictions around the world. We are part of the move to shift, but we are part of a system. It requires us all to move if we are aligned.

Q250 **Lola McEvoy:** The Committee has heard that we have a world-leading consumer protection regime. Why is consumer confidence in investment.



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as a way to make better returns, so low? Your own financial lives survey that you mentioned earlier said 4 million people have in excess of £10,000 in cash savings. If we have such a good consumer protection regime, why is that not translating into people taking more risk with their savings?

Nikhil Rathi: As I said, part of it is cultural in the UK. Part of it is also that our advice system has not been as effective as it needs to be—that is something that we need to change. Part of it is also that we have been through a tumultuous economic period over the past eight or nine years. Let us not shy away from the fact that investing in markets can be quite hair-raising at times. Even since the start of the year, we have seen enormous volatility in some of the largest stock markets in the world—in the US and elsewhere—so it requires considerable patience and resilience to weather those storms if you are a retail investor who perhaps is not familiar with markets. That plays into people’s caution too.

We should also not ignore the fact that there have been interventions in the UK that have really shifted the dial. For example, the move to auto-enrolment has dramatically improved the state of pension provision here, relative to where it was before. We know that we are not done and there is further to go, and that people’s demands for living standards and what they need for retirement continue to intensify. However, we are in a much better place than a number of other jurisdictions on that issue.

Q251 **Lola McEvoy:** You mentioned the pension auto-enrolment, which is obviously great. However, we know there is a bit of a ticking time bomb coming down the line with the lack of pension support for self-employed people. If there is that problem, or our pension funds are not investing in UK companies, how will the FCA help to solve it?

Nikhil Rathi: We are working closely with the DWP, Treasury and the pensions regulator. One significant piece of work is around our framework for value for money. One of the pieces of feedback we have received is that there is too much focus on cost, rather than taking a holistic view around long-term returns that people can get, so we are moving to adjust that.

At the Mansion House event last year, the Chancellor talked about the need to consolidate some of our pension funds to give them the scale and expertise to invest in a broader range of assets. Some of those pooled local authority funds will be regulated by us. Our early work on the advice guidance boundary review is particularly looking at advice around decumulation decisions individuals take.

We have instituted—under Mr Glen’s leadership, in fact—the introduction of long-term asset funds to enable DC pension funds to invest in a wider range of liquid assets without daily trading. We have seen several billion now, and a number of funds approved by us.

The specific issue around investing in the UK is a policy question for Government and Parliament to make the call on, and it links to tax. That is not something we would take direction on, nor something we can lead on our own.



Q252 Lola McEvoy: A final question from me, in the interests of time. You mentioned a few times that certain things require legislation and you would take your leadership from the Government. What other things do you think they should be considering in terms of legislative changes to enable the growth mission to succeed?

Nikhil Rathi: In my letter to the Prime Minister—they did ask us to give any ideas—

Lola McEvoy: Go on. What is the burning idea?

Nikhil Rathi: We had to be careful in what we suggested, but I mentioned a few things. When we look at innovation around the world, one area we have fallen behind is the speed with which identity is verified, both individuals and for corporates. We used to be a global leader in open banking and finance, but other countries such as India, Brazil, and in the middle east have moved ahead of us.

I do not demur at all to the fact that those are very vexing political issues and civil liberties questions; I just make the point that we can see we are falling behind. To Dame Meg's point earlier around what could contribute to growth and productivity improvements in the UK, I would suggest that getting that fixed would contribute—not just to financial services, but to access to health services, e-commerce and other parts of the economy as well. We see that happening in other countries and we are somewhat slow.

We have talked about the improvements that could follow in Companies House, the speeding up of the courts system and its digitisation—one of the things that holds us back in the speed of our cases is that it can take a number of years to get through the courts—and the other more technical piece is that we publish a perimeter report which we send to the Treasury Committee every year with our recommendations for legislation. In fact, I had my first meeting with the new Economic Secretary on the perimeter yesterday afternoon. She will publish the minutes of that meeting when they are ready, not me.

Chair: Thank you for that food for thought.

Q253 Rachel Blake: You have been trailing the advice guidance boundary review all morning, so I am pleased that we get a chance to dive in. We have also painted a complicated picture of how consumers are responding to the financial products currently available: only 57% of defined contribution pensioners are reading some of their statements, which I found worrying—I was relieved to be in that group, but it does mean that 43% are not—22% of people do not have confidence that they have a plan and feel unprepared; and only 9% of people are taking up regulated guidance. At the start of this session, you said that the advice guidance boundary review could be transformative. Can you put some figures to that?

Nikhil Rathi: Not yet, I am afraid, because we are still finalising it, and some of it will be down to legislation, but we believe that in moving away in a calibrated and careful way from customised, personalised advice, and



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enabling advice and guidance to be given to cohorts of customers, such as, “People like you might find it suitable to invest in products like this.” Targeted support, which can be provided by firms in a much more cost-effective and digital way, could catalyse products for the mass market in a way that is not possible at the moment.

The risk conversation—to bring it back to that—which I think is important to have with this Committee is that that means that it is not going to be perfect for everybody. We may see significant benefits for the mass market, but a minority of consumers might get a suboptimal outcome, or a worse outcome than the one they get today. That is exactly the type of conversation we need to have with you and the Government to make sure we are all on the same page as we move forward.

Q254 Rachel Blake: So you do not have a sense of scale. We have an understanding of how many people are not fully prepared, but do you have a sense of the scale of how much this situation could be holding us back, or of the potential benefits of growth from this review?

Nikhil Rathi: Clearly, the numbers we have—you quoted the 9% figure of adults taking regulated financial advice; we will publish our 2024 survey shortly, and that figure has not moved—are deeply unsatisfactory. I do not have a figure for you yet. We have not finalised the review, and the legislation is not determined for where we want to take it, but over a number of years we want that number to be substantially—substantially—higher than 9%.

Q255 Rachel Blake: Will some of those metrics be in the next stages of the review?

Nikhil Rathi: One of the things we want to have is lots of outcome metrics that we can be held to account on, while recognising that we are one contributor to those metrics—we are not the only organisation that contributes. Yes, we will be publishing that metric every couple of years, so that we can track progress.

Q256 Rachel Blake: That metric of take-up?

Nikhil Rathi: Yes.

Q257 Rachel Blake: Are there any others? It seems to me that there could be other metrics and modelling of the impact of advice.

Nikhil Rathi: There are metrics around the number of people taking regulated financial advice and around the point at which you seek your advice on decumulation—at the moment, people tend not to engage with their pension until after the age of 50, which in many cases is far too late, as it is very hard to change course. We have some data around the number of people who engage at the age of 40 or 45, and we are trying to bring that earlier. We publish data on the number of people who have investable assets over £100,000 who take financial advice. We have already talked about the number of people who have cash over £10,000. We have talked about the amount of cash in the system. Those are all



metrics that we will look to publish on a regular basis and track, to help to give you a rounded view of how we are progressing.

Q258 Rachel Blake: One idea out there is for auto-enrolment to advice appointments. Have you a position or any research on that?

Nikhil Rathi: We did some work on pensions nudge and other things previously. Ultimately, those are matters for the DWP. I know Dame Angela Eagle, when she was on this Committee, was very focused on that topic. One of the challenges is that not everybody liked being told that they had to turn up to an appointment, and we had quite a lot of non-response to the pilots, so the question is: who is the right body to stimulate people to take advice? It could be auto-enrolment with the Money and Pensions Service or your employer.

Often, we find that engagement from employers is much more interactive than from a Government or state body. We have seen that in workplace savings, for example: when an employer has offered the savings of £10 out of your payroll, the take-up has been much higher than in non-employer-based schemes. This is a system-wide effort of Government, regulators and businesses to get that engagement.

Q259 Rachel Blake: If there were more research, which you mentioned, on the impact and some of the measures around auto-enrolment, this Committee would be very pleased to read it.

I want to come back to the process and the timing, if that is okay. Our understanding is that, in the first half of this year, the FCA plans to consult on the detailed requirements, with draft rules and guidance on retail investments and pensions. There will then be a cost-benefit analysis, policy statement and some final rules. Is that correct?

Nikhil Rathi: We will consult in the first half of this year, and we will follow all the processes on CBA and rule making that are in the legislation.

Q260 Rachel Blake: Would you say that the legislation is determining the timescale of this? For something that could be transformative, notwithstanding we do not know quite how transformative, that could be, by my calculations, at least two years?

Nikhil Rathi: We want to go as fast as possible, but we also have to respect the processes in legislation, on the CBA panel and how we consult. Also, one aspect of this involves the Treasury proposing legislation to Parliament. The timeline for that is within its gift, and there is a huge pipeline of legislation not just on financial services. The ability to get a slot is a matter for them, but we are going as fast as we can and working very closely with the Treasury—these things take time. It also takes time, as we said when talking about regulatory initiatives earlier, for firms to implement and change their systems.

Q261 John Grady: People rely on this sector more than ever, so trust in it is critical. This is maybe a question for Mr Alder. Obviously, we have the review that we have just been discussing. If you look at the investment universe, including things like crypto, do you think much more is needed



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beyond that review to secure good advice and outcomes for consumers?

Ashley Alder: In relation to crypto specifically?

John Grady: Crypto, and just more generally. I am mindful of time, so we should keep the responses short, please.

Ashley Alder: That question goes to the direction of travel, which is actually quite a course correction, and that is encapsulated in our strategy. We want to put the right tools in the hands of consumers to enable them to interact with services. We use the phrase risk-taking, and rebalance of risk, but that is interacting with financial products and the overlay of consumer duty, including the consumer duty expectations on firms, to enable consumers to interact with the services and the products that then contribute to their longer-term financial wellbeing. I mentioned earlier the demographic challenge with that, which again Andrew Bailey has also raised. There is a question of giving people the tools, not forcing the tools on them, to enable them to engage with the right products for them in that context. I could comment on crypto, if you like.

Q262 **John Grady:** A brief comment, please.

Ashley Alder: Fundamentally, the whole crypto universe falls into three buckets, one of which is fiat-backed stablecoins. Another is so-called unbacked crypto, which are the crypto assets that you are familiar with. The decision has been taken, both internationally and in the UK, that we will move forward with a framework around that, and we issued a road map not very long ago that set out the steps we would take on this. Fundamentally, it is a comprehensive framework around things like the custody and the way in which crypto exchanges operate. The third element is the technology itself, which is what some people call the rails of this distributed ledger. The applications of that could be numerous. It is still relatively early days, but that is why we have set up the digital sandbox, for example, and we are also pursuing projects such as fund tokenisation. That is basically how the technology can be incorporated into effectively traditional or existing financial services. That is a piece. As Nikhil said before, in relation to crypto, with unbacked crypto assets, be prepared to lose all your money.

Q263 **John Grady:** That illustrates an interesting point, because you are looking at regulating this further. This is maybe a question for Ms Howard, and again please a nice short answer, because time is marching on. Do you think that consumers understand the precise role of the FCA? Just because a business is authorised by the FCA, for example, do you think a consumer understands that you are not endorsing it as selling suitable products? What do you think a consumer's understanding is of that?

Sheree Howard: We do a lot of work to drive that understanding, and from that perspective, we have invested heavily in the financial services register as one place that consumers can check to see whether the product is authorised and regulated or not. We have been very clear in all our messaging about crypto that you should be prepared to lose all your money. I think we have been consistently clear for many years that that is

the case. At the moment, we only regulate crypto for AML. That is very clear, publicly. But when you go on to social media and it is out there, it is very tempting for people to purchase it. But I think we have been really clear.

Q264 **John Grady:** If I am sitting in Shettleston on a Friday night, I do not go looking at the FCA register.

Sheree Howard: I understand that. It is probably not the first thing on your list.

John Grady: Or the last, for that matter.

Sheree Howard: Okay.

John Grady: Only on a Sunday morning.

If I see on a website that a firm is authorised by the FCA, would you agree that it does not follow that the FCA endorses what that firm sells as a great product? Do you also agree that it does not follow that everything that that firm does is regulated by the FCA?

Sheree Howard: That is correct. If we have authorised it and given it permissions, that means we are comfortable that it meets high standards to get through our gateway.

Q265 **John Grady:** The fact that I have the FCA label on my website does not mean that the FCA is supervising the firm intensively, does it?

Sheree Howard: We have a risk-based approach to everything.

John Grady: So the FCA may not be supervising that firm in any great detail at all?

Sheree Howard: We get a huge amount of intelligence, data and information, which would trigger activity around that firm and that market.

John Grady: From the point of view of a consumer in Shettleston, with that proportionality and risk-based approach, it must follow that some firms are monitored intensively and some firms not at all, or to a limited extent.

Sheree Howard: I would not say, not at all, but yes, a limited extent.

Q266 **John Grady:** It also follows, because the FCA is full of human beings, that that judgment may sometimes turn out to be less than ideal in retrospect and that some firms that were not supervised intensively could have done with a bit more intensive supervision. It also follows that the FCA does not guarantee that any firm is well run. Against all that background, how clear do you think the consumer's understanding of this regime is, and to what extent can they put trust in this regime?

Nikhil Rathi: In crypto in particular?

Q267 **John Grady:** No, just more generally, just an investor in Shettleston saving for their pension or their grandkids.



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Sheree Howard: I would answer that in various ways, but given brevity of time, we are clear that if a firm has been through an authorisation process for certain permissions, it meets a certain level of standards. We are quite clear on that. We are conscious of what you are referencing—which is really the halo effect—regarding elements of their business that are not regulated. Through the gateway, we take a much more holistic view of the firm to make sure that we are comfortable that the firm as a whole is operating well. Equally, we would be clear that if people invest in unregulated activity, it carries higher risks than investing in regulated activity.

Q268 **John Grady:** Have you got any data on consumer understanding of what all this means?

Sheree Howard: Not to hand, but we can come back to you. I mentioned the FCA register, and I know you said that you would not be checking it on a Friday night, but we did do extensive research on consumer engagement with, and understanding of, the system. That is why we are going through a process of transforming it, because the feedback was not that consumers particularly understood what was there.

Q269 **John Grady:** That is good.

Turning quickly to compensation, I do not want to get into the detail of these cases, but in the Collateral case the FCA has said that it could have done better, in simple terms. For Safe Hands there is no compensation whatsoever. That low level of compensation for Collateral and no compensation for Safe Hands—is that damaging for consumer confidence in the savings and financial services market? Mr Alder?

Ashley Alder: You need to look at these case by case. Clearly, there has been a lot of publicity. In relation to Safe Hands, the primary issue for us, for the organisation, was to bring an unregulated sector into regulation through the gateway—in fairly short order. That was in 2022.

Q270 **John Grady:** I am sorry, Mr Alder; I do not want to interrupt, but we might come back to Safe Hands. We have read the correspondence, which is very helpful. The question I am getting at is more, if you look at it from the point of view of, not a *Financial Times* reader, but someone like me, sitting in Shettleston on a Friday night, reading the *Daily Record*, I am asking myself, “Am I confident in this sector or not?” Is this low-level/lack of compensation overall damaging to confidence in the sector, when I know that if I go to the Bank of Scotland in Shettleston I am guaranteed up to £85,000? That is what I am getting at—the overall impression of confidence and safety for investors.

Ashley Alder: Let us be clear: the system is not straightforward. It might in practice be difficult to explain to someone in your position on a Sunday morning. That is the truth, in practice. The compensation system itself is, to a degree under review, when it comes to the intersection between, for example, the Financial Ombudsman Service, which is the place where consumers can bring complaints, through to failed firms, which of course is the FSCS—that is also a compensation system that is actually quite broad,

particularly when it comes to FSCS compensation around failed firms and advice, for example. We have a compensation system that also involves redress schemes, which are very prominent at the moment. And then we have a particular difficulty, frankly, around expectations of the FCA when it comes to firms that are unregulated.

For example, a sector that could come into regulation—and that is the direction of travel—is buy now, pay later. Currently that is not regulated, and concerns have been raised around that. The question for us right now is, should we devote our resources to an unregulated sector? There is a level of expectation in some quarters that we should, and there is a question as to whether we should or not. It is not a neat answer to your question—

John Grady: But it is a good answer.

Ashley Alder: —because the compensation system is complex, our perimeter is complex, and that is the environment in which we operate, which I fully understand is not plain to the average consumer.

Q271 **John Grady:** A final question from me on this chapter, before we move on. We have got the motor finance case, we have got the Collateral case, Safe Hands, and potential issues with BNPL. That is in a lower-risk environment. As we go on this dash for growth, would more of these cases fall within a tolerable or acceptable level of harm or failure, from the FCA's perspective?

Nikhil Rathi: That is the discussion we would like to have with you. There are different components there. Motor finance is a systemic redress situation, where what is being looked at is whether there was compliance with the law, and the rules, that were in place before 2021. Some of that is our rules; some of that is statute—the Consumer Credit Act; and some of that is common law. We will see what the Supreme Court has to say. I have said publicly, in a speech that I gave to the ABI, that, beyond motor finance, we are not envisaging any other systemic redress events, based on the complex data we are seeing. That was a question that you asked me last time, Dame Meg.

On the other issues, I think there is always a choice about how quickly Government and Parliament want to bring new things into the regulatory perimeter. On funeral plans, I believe that Mr Glen, as a Minister, got the first report in 2017. That did not make it into our perimeter until 2022. A report on “buy now, pay later” was done in 2021; it will perhaps make it into our perimeter in 2026. Those are choices that Government and Parliament make, and one of the things we have said, in terms of metrics, is that we need some acknowledgment that those are political choices and that we cannot carry responsibility for the 10 million people who use “buy now, pay later” at the moment, because you have not asked us to devote our resources to it, and there has been a debate around it.

Then, on the point about risky investments, if people move into riskier investments, be that equities, infrastructure or scale-up companies, not everything is going to work out. What we hope, though, for the critical

mass of consumers, is that, over the long term, they will get better long-term returns and better and more secure retirements. But we cannot guarantee that for 100% of the population.

Q272 Dame Siobhain McDonagh: The Complaints Commissioner recently upheld a complaint against the FCA about the way that it handled the failure of Safe Hands, the funeral plan company. Specifically, the commissioner says that the FCA did not act on a tip-off about Safe Hands in 2021. I appreciate that your response is that you get lots of tip-offs and you cannot investigate all of them, but this was not the first bit of information that you had had about Safe Hands.

You had had numerous complaints about them in the past, and, as is so often the case when a scandal happens, you were also aware of some of the people involved in Safe Hands. You had concerns about the owner, Richard Wells, as you were investigating some of his other companies since 2018, and you had concerns about the fund managers, TJM Partnership, and had them under investigation since 2019. So you knew about these people and you knew their pattern of action. Was it that the people who had pension plans were just poorer and did not matter that much?

Nikhil Rathi: Not at all. I will turn to Sheree, but the important point to note is that we did not allow Safe Hands into the regulatory perimeter. They were refused authorisation, and they went into administration. But Sheree can explain in more detail.

Sheree Howard: Certainly. First, obviously, I would like to acknowledge that lots of people did lose their money for their prepaid funeral plans when we did not allow Safe Hands into the regulatory perimeter. And you are right that there had been extensive work on Safe Hands historically—we are talking several years before, in the years between 2014 and 2016—

Dame Siobhain McDonagh: So the complaint in 2021 was not the first time you had heard about them?

Sheree Howard: No, but we had no reason—we had worked with them extensively between 2014 and 2016 and had, you know, got ourselves comfortable. They were in an exempt regime—exempt from the (Regulated Activities) Order—from that perspective, and we got ourselves comfortable that they were operating that way. They were brought to the attention of HMT and us, as were several firms in a report in 2017, but there was nothing that led us to believe that they were breaching the exemption at that point.

It is absolutely the case that, as we were working to bring this regime into the perimeter—at speed, as Nikhil has said; we were working at pace because the legislation was laid in 2021, and they all had to be authorised by July 2022, so we had to lay policy regarding them, and we were gathering information on the sector as we were going—we did receive one piece of anonymous intelligence that could have led us to act. However, the gateway was about to be opened, although I do appreciate that that



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was a few months later and there was a little bit of a gap; it was at the end of April 2021 and the gateway was opening in September 2021.

That activity was looked at and logged, because the view was that we would act far better and far faster through the authorisations gateway. We get far more information through the authorisations gateway. That has to be given to us when they apply, because we have standards that they have to meet, and we have to look at it. Therefore, they gave us far more information, and we could ask for quite extensive information through that.

It landed at the end of October, and in early February we were having a “minded to refuse” conversation with the firm because we had identified serious concerns. I cannot go into those, because there is a wider SFO investigation still under way, but we did identify concerns. We had that conversation with the firm. It withdrew its application very quickly after that conversation and then went into administration. We then did work actively with other providers to provide discounted funerals for those providers, but it was not in the regulatory perimeter. On that one piece of anonymous intelligence, a judgment was made that it was far better to be dealt with through the authorisations gateway.

Q273 Dame Siobhain McDonagh: One piece of anonymous information, and lots of concerns about the people involved and previous complaints. In the FCA’s response to the complaints commissioner, you have disagreed with her findings and are not taking any further action. What is the point of having an independent complaints commissioner if regulators can simply brush aside their findings?

Sheree Howard: My first response is to say that we view the independent complaints commissioner as a very strong accountability mechanism. We view complaints as a mechanism to learn and as a really great way for us to continuously improve. We do respect that the commissioner has a different view on the action that we could or should have taken on that one piece of anonymous intelligence, but it equally admits that there is no way of saying whether that would have reached an earlier conclusion or a different conclusion, or would have meant that the firm failed earlier or later.

Q274 Dame Siobhain McDonagh: If the findings of the commissioner do not matter, perhaps it should be another target for abolition—save some money?

Sheree Howard: I did not say that. We respect and revere the independence of the complaints commissioner very strongly; we just have a different opinion on what might have happened had we tried to act on that piece of information. There is no saying that the firm would have responded to us immediately. They gave us a lot of information through the gateway.

Q275 Dame Siobhain McDonagh: But the commissioner is then toothless, is she not?



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Sheree Howard: I would not say that. We have done a huge amount of work on the back of her recommendations.

Q276 **Chair:** How many times have you had a disagreement with the complaints commissioner?

Sheree Howard: I cannot remember exactly the percentage, but we accept the vast majority.

Nikhil Rathi: So far this year we have accepted the vast majority of the recommendations. We have the utmost sympathy with the people who have lost out here. We talked about the time it took for this to get into the perimeter, and it is because this is of interest to parliamentarians that we proactively wrote to the Committee to explain our position. The commissioner herself says she could not say with any certainty that if we had acted on one piece of anonymous intelligence that had already been sent to the Funeral Planning Authority, it would have led to a different outcome.

We have to prioritise resources. Ashley has touched on this. On buy now, pay later—we can read about it in the media today—there are allegations of very serious potential misconduct out there in terms of debt collection and other things. At the moment, the Government and Parliament have not decided to bring that into our perimeter, so we have to make a judgment that it is not appropriate for us, nor do we have the powers to go in there and chase down every piece of intelligence that we are getting about that kind of misconduct.

At the point at which we come to the authorisations gateway in 2026, I am almost certain that some firms that you can read about in the press today where there are problems will not make it through, but we are not going after that. In the year we are talking about, we had 34,000 pieces of intelligence, so you have to make a broad judgment about the quality of that intelligence and how to prioritise resources. In our strategy today, we have been very clear—it is quite important that we land this point with you—that when it comes to tackling financial crime, there is a huge waterfront: 39% of all reported crime in the country is economic crime. We are going to focus our resources on the crime that gets reported to us that might have links to the regulated perimeter—criminals within the perimeter. That necessarily means there will be cases that we are not pursuing and we are not able to pursue, because we just do not have the scale of resources to do that.

Q277 **John Glen:** You mentioned buy now, pay later. This issue has rumbled on for several years. There is real consumer detriment in some cases, but it is also quite complicated to work out whether somebody has multiple buy now, pay later contracts in place, so there are consequences for regulation. We have been talking about growth and streamlining and how we reconcile the consumer interest with that growth imperative. On buy now, pay later, my understanding is that it is complicated to deliver a regulatory regime that will deal with the consumer harm and not chill the therapeutic value of a new product. Would you evaluate that trade-off



before Ministers would make a decision, typically, on whether to proceed?

Nikhil Rathi: We have been interacting very intensively with the Treasury all the way through their multiple consultations on this. Because it has been such a delicate issue, they have had several rounds of consultation to try to get the calibration right, and there are some judgments that are entirely going to be matters of judgment for Parliament, such as about what threshold you set for where you want regulation to kick in; are there some thresholds below which you do not want regulation to kick in? That is the choice in relation to accessibility for a product that is convenient for people. The average use of buy now, pay later is for £69; it is very different from credit cards and other forms of credit. We think the consumer duty helps us even further, because it gives a framework for information requirements. There are some bits of the Consumer Credit Act that should be disapplied because they just don't work for this type of new product. We are going to have to have a debate—we will be ready to consult as quickly as we can once the legislation is laid—about affordability and creditworthiness checks: how far do we go?

Q278 **John Glen:** The truth is that you cannot protect everyone by regulatory intervention, can you?

Nikhil Rathi: No, and I do not think Parliament asks us to at all. You have given us a range of objectives, and you talked earlier about the secondary competitiveness objective as well. You ask us about innovation, and you have asked us about growth. One of the principles in FSMA is that consumers must take primary responsibility for their decisions; that is in the law.

Q279 **Chair:** Can I just pick up on one point before I go back to Dame Siobhain? In the case of Safe Hands, there was information about individuals involved, as well as the other bit of information. When you get tip-offs—obviously you had a lot; we understand from your letter the arguments you have made—do you have a matching-up process? You have red flags, presumably, that arise. So was there no match between the anonymous tip-off and the other red flags you already had about the suitability of individuals?

Nikhil Rathi: I think as Sheree explained, the judgment was made that this was now coming inside the perimeter—

Q280 **Chair:** Just so that we are clear, that was your main reason for delay, as you have said, Ms Howard.

Nikhil Rathi: The commissioner has said, I think, that she doesn't know whether an earlier intervention would have made any difference. We will see what comes out of the Serious Fraud Office investigation.

Q281 **Chair:** On early intervention again—before I go back to Dame Siobhain—with regard to the Collateral situation, there was a two-month gap between your asking the company to cease trading and your discovering the fraud. These are two examples, and there are plenty of others. We get letters about these sorts of things all the time. Do you have any analysis about how many people will lose out in these situations if you have a delay?



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Obviously, in the case of Safe Hands, there wasn't much money there anyway. It was unlikely that people were going to get reimbursement, because the company went bust. But do you look at that? In your decision making, are you thinking, "If we take this length of time, there is further risk, to more consumers"? Do you weigh that up, Ms Howard?

Sheree Howard: In short, yes. One of the reasons why we have accepted that we took too long—there was a balance, because work was going on at the time. I wasn't party to that, but there was a balance going on. With Collateral, was the firm seeking really to come in? It had applied to come inside the perimeter. Was it really seeking to regularise its position? How do we protect consumer money? How do we make sure that we do it in the right way? There was a two-month gap. When we looked back at it with an independent, cold head, yes, we decided that perhaps that was too long and we should have acted faster to get them to stop, which is why we have apologised and accepted the fact that we didn't. We could have done something differently there, and better.

Q282 **Dame Siobhain McDonagh:** I just have a personal concern about the breadth of your work, the expanding area of your work, and the involvement of quite vulnerable people with not very much money. In something you said, you referred to them as investors. This group of people did not think they were investing in anything. They thought they were getting an insurance policy so that their families would not be responsible for their burial and they would not have that very shameful thing—a pauper's funeral. They were acting with the highest levels of responsibility and respectability, so in a way they have even greater need for your care and consideration.

Nikhil Rathi: This weighs on us a lot. In January, I spent some time at a debt advice centre in Bournemouth, where I met addicts who had got into quite serious debt. It was small amounts originally—£100 or £200—but that led to a cycle that was incredibly challenging for them. We absolutely recognise that. We produced a review on vulnerability just a few weeks ago in the light of our work on the consumer duty. A limb of the consumer duty focused on vulnerable consumers, in terms of the information they receive and the markers that firms have. We have set out good practice, but we have also called out areas where we think firms could go further, in terms of product and service design and metrics.

We don't decide, though, which products are in the perimeter. I understand what you are saying about what people thought they were buying. This was being discussed and considered by the Treasury, and subsequently Parliament, between 2017 and 2022. It is the same for buy now, pay later. We have to be respectful about using our resources on the things that Parliament has asked us to do. We have made the case on buy now, pay later, but we also have to respect that it is not our decision—either the substance or the timing of when that comes into regulation. That is a decision for this House.

Q283 **Bobby Dean:** I am struck that some of the events that we are talking about happened in 2021 or 2022, but recently we had the news that the



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FCA plans to automatically delete its emails after a year. We know it is not a data storage issue, because data storage is pretty cheap. I think the FCA is on the record as saying that it is to reduce legal and reputational risk. Can you explain that decision a bit better for us? It would seem to some that it could present a huge risk to FOI requests or even inquiries by this Committee.

Nikhil Rathi: Absolutely, and we have also put out a blog report for everybody to see. I want to be clear about what we are and are not doing. This will not apply to any emails that existed before 1 April 2025, so it will apply only to emails after that. The first round of deletion will be on 1 April 2026. It will not apply to any shared mailboxes, through which decisions are typically made—the board decisions and the range of governance decisions that we make—or to the most senior people in the organisation, who hold the most decision-relevant information. We also have statutory responsibilities under FSMA to hold records, and we will comply with all those statutory responsibilities.

Holding 70 million emails, though, is not good records management practice. We have invested very heavily in data repositories so we can get data in the right place so we can act on it. We now have very good cloud-based infrastructure, and we want colleagues to use it effectively and not hold on to emails that are no longer needed. There are also GDPR reasons, and I believe that the Information Commissioner's Office has a similar 12-month policy on its website. We should not be holding on to information for longer than we need to. We therefore think this is a proportionate way forward. It will require a shift in culture, because we know we need to improve records management. There is intense focus and effort on that, but we think it will make us a more effective regulator over time.

Q284 **Bobby Dean:** I admit that there will be plenty of emails that do not need to be kept for a long time, but I guess the concern is who gets to judge which emails need to be kept. We talked earlier about the potential increased risk of consumer harm that is coming down the track, but at the same time we are shutting down an element of transparency. What confidence can you give to consumers that the email deletion policy will be robust and will keep consumers' interests at heart?

Nikhil Rathi: We are not changing the definition of what is a record that needs to be kept at the FCA. Those are there, and there is legislation around that—that is not changing. As I say, the decision-relevant records will need to be maintained. That is a large number of the shared mailboxes and, as I say, the most senior people in the organisation are the most engaged in those decisions. We will, of course, be tracking operationally how we are progressing as the policy is implemented, as other organisations have when they have implemented similar things. We want to see our shared repositories used effectively. We know from some of the cases that you have just talked about that, when things happen afterwards, trying to trawl thousands, if not tens of thousands, of mailboxes is quite problematic. If you want to use AI and data analytics, and some of these techniques, you need to use state-of-the-art records management to be able to deliver, and that does require a shift from tens



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of millions of emails into our systems, which will enable us to be more effective.

Q285 **Chair:** Have you benchmarked on this data retention? I know one Government Department sought information from the archives, and about half of them were out-of-office replies, because of the way the archive was created. It is not just the FCA that is having this problem. Have you benchmarked this one-year approach?

Nikhil Rathi: It is not for me to talk about the experience of other organisations, either public or private.

Chair: But have you benchmarked?

Nikhil Rathi: Yes, we have looked. The Information Commissioner's position on its own organisation is on its website.

Chair: Can you give us an idea of who you have benchmarked with. What have you looked at?

Nikhil Rathi: Other similar regulators and other governmental bodies. There has been some discussion that we are somehow doing something that we would not tolerate firms doing. We do not expect banks, insurance companies or others to hold every single email of every single member of staff all around the country indefinitely. We expect them to hold the relevant information in the records and knowledge management systems they choose so they can track decisions. It is certainly not the case that every single email of every financial services employee is held forever.

Chair: It sounds like there is a big job opportunity, or maybe a growth opportunity, for records management companies and individuals. We can go back to our schools and recruit for the country.

Nikhil Rathi: Data is a very strong growth sector for the country.

Q286 **Bobby Dean:** I am going to move on to motor finance. You recently made an announcement about a consumer redress scheme potentially being introduced, depending on the Supreme Court result. Can you tell us more about why you think that approach may be appropriate, and what it will look like?

Sheree Howard: Certainly. We have maintained ever since we started looking at discretionary commission arrangements, because of the volume of complaints that were raised, that part of the reason for looking at this was to understand what had happened, whether providers—be they brokers or lenders—had been failing to follow our rules, and if so, whether consumers lost out as a result. And if they had, what is the best way of delivering recompense or redress to them in an orderly, consistent and efficient way. That has been our mantra from the beginning of 2024.

Obviously, we were working on discretionary commission arrangements when the Court of Appeal judgment landed. That has potentially expanded this, depending on where the Supreme Court lands, to cover wider commission arrangements in the motor finance world. What we are saying



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is that our work is still ongoing, and we are still gathering evidence. I cannot talk about numbers or anything like that, because it is still too early to say, and a lot will depend on where the Supreme Court lands.

We talked earlier about how business and investor confidence is driven by predictability and clarity, and if you look at our messaging over time, Nikhil had previously said, as we were working through it, that it was more likely that we would intervene than not. We are now saying that a consumer redress scheme may be appropriate, but we have not said definitely.

Q287 Bobby Dean: I appreciate that you cannot say too much, but can I try to add some specifics? If the Supreme Court judgment goes the way people expect it may in widening the number of cases taken into account—the wider commission arrangements—will your scheme include wider commission arrangements? Will the scheme be mandatory, and how quickly do you expect to get the scheme up and running after a decision?

Sheree Howard: If we decide to do an industry-wide redress scheme, that will be open to public consultation, so there will be the ability for this Committee, as a key stakeholder, but also parliamentarians, consumer groups and firms, to participate in what the shape of the scheme should look like. If we decide to go that way, we will obviously put proposals forward. We are still working on what that may look like, and a lot depends on where the Supreme Court lands. From our perspective, it will be open to consultation, so the key parameters will be open to that, as will the CBA—the cost-benefit analysis.

Q288 Bobby Dean: What you do now is obviously up to you, though, and I know you have been engaging with firms. It has been reported to me that you have not been engaging with some of the consumer law firms involved in bringing forward these proceedings. They are saying that the consultation has been very focused on what firms want to do, not necessarily on the outcomes. Can you confirm whether you have engaged with any consumer law firms on this?

Sheree Howard: We have engaged with consumer groups. We have a roundtable with consumer groups later this week, on Friday.

Q289 Bobby Dean: But not consumer law firms?

Sheree Howard: I do not know which particular law firms you are talking about. I can go back and check.

Q290 Bobby Dean: I can name a couple if you prefer. There is Sentinel and Courmacs, which I know represent thousands of clients. They say that they feel a bit shut out of the consultative process so far. Would you engage with consumer law firms?

Sheree Howard: We have not started any consultative process. That is critical from the perspective of this Committee's understanding. We have said that, depending on where the Supreme Court goes and whether we deem that there has been a widespread consumer redress mechanism, we may consult on an industry redress scheme. At that point, we will have a

full consultation with all bodies. We are, of course, consulting with firms through this process to understand how they are preparing, because from their perspective, when the complaints pause ends on 4 December, they will have to start handling complaints again—unless there has been some other interaction—so we have to ensure that they are still working behind the scenes. We know that certain firms are working very closely with those legal firms, but I cannot go into any more detail.

Q291 Bobby Dean: The reason I ask that question is that the situation is not a straightforward case of whether or not the commissions are there. There have been all sorts of allegations about volume bonuses, advance commission payments and other kinds of complex incentives, and the firms have been quite clever in writing those contracts. The law firms have been quite close to that. Do you have any fears that a consumer redress scheme, without the involvement of legal firms and claims management companies, might result in the under-compensation of consumers?

Nikhil Rathi: We have thresholds to meet before we introduce a redress scheme. Of course, one key threshold is compliance with the law. The Supreme Court will give the final determination on what the law is. A number of the issues that you have raised may be taken up by the Supreme Court; we will have to wait and see. It is our job to assess any redress scheme against all our objectives—consumer protection, market integrity and competition in the interests of consumers—and one of the reasons why we are now signalling that we are likely to consult is precisely so that everyone can get ready, including, I would suggest, this Committee, because I imagine that you will be very interested in this topic and may wish to engage with such a consultation when it comes.

When it comes to our consumer protection objective, we absolutely want to make sure that, if there has been unlawful activity, there is appropriate remedy for it. To touch on some of the topics that we talked about earlier, we also need to make sure that this market works well in the future. It is a market of 2 million consumers, worth around £40 billion of finance, every year—1.4 million used cars, 600,000 new cars—so whatever we do also needs to ensure that the market works for consumers in the future as well as being proportionate for anything that might have gone wrong in the past.

That will all be subject to debate and consultation from all parties: the law firms you mentioned, consumer groups, firms, parliamentarians, the Government. It is a topic that captures a lot of people's interest. We want to be able to do this as openly as we can when the time comes—if the time comes.

Bobby Dean: I appreciate that you have been going for almost two and a half hours now—and we could probably go for another hour on this—so I will hand back to the Chair.

Chair: We will be discussing in future how to look at the expanding work of the FCA, for sure.



Q292 **Lola McEvoy:** In the interests of time, I have a quick question. Can you tell the Committee what is really going on with the name-and-shame policy position?

Nikhil Rathi: We call it “enforcement transparency.” We wrote to the Committee. I think Dame Meg will be familiar with this because one part of the context that prompted us to propose it in the first place was a Public Accounts Committee report in July 2022, in which that Committee asked us to look at being more transparent around firms that are under investigation. I have engaged this Committee, including under Dame Harriett’s chairmanship. We said at the time, when there was a response to the initial consultation—I wrote to the Committee about things we could have done differently—that we wanted to secure as broad a consensus and as much confidence as we can on something like this. There is broad support for some aspects of what we are doing, particularly confirming investigations, already in the public domain, of unregulated and unauthorised activity, and also anonymously sharing details of issues of concern. We will move forward with those. We will not move forward with the proposals in relation to introducing a public interest test for announcing investigations into regulated firms doing authorised activity; we will stick to the test that we have today.

It is important to put this in perspective. We have put the data out there in the letter. At the beginning of March, we had 37 open investigations into regulated firms: 22 are already in the public domain; two are about to go into the public domain; seven we would not want to disclose because they are covert or sensitive for other reasons; and two we would have kept anonymous because there is a criminal investigation, but we might have said something. There are four cases in our current portfolio where we felt there would be a public interest in announcing. Significant groups of MPs have asked us questions about what has happened in all four of those cases—not dissimilar to situations that the Committee has asked us questions about today—where we felt a modestly increased degree of transparency would have been appropriate to be able to respond to that accountability request and to give some confidence to your constituents. There wasn’t consensus around that; there were divided views in Parliament, and we are not moving forward with it. It was a very small number of cases.

Q293 **Lola McEvoy:** If this Committee asked you about a specific issue, would you decline to comment under the new position, or do you feel that you would be able to answer on the record in a Select Committee environment?

Nikhil Rathi: We have a specific gateway to Parliament. Dame Harriett asked me about a case involving Mr Odey and his firm in the last Parliament. I have always endeavoured during my tenure to be as open as I can be with the Committee, because I see it as a fundamental mechanism of accountability and scrutiny. We have very far-reaching powers at the FCA, and we need to be demonstrably exercising them legitimately. You will want to think about the nature of the questions you ask us in the light of this debate. As I said, the Public Accounts Committee



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was part of the prompt for this. We will always seek to be open, but you have seen the debate.

Chair: It is one of those issues that will probably come back again. I thank our witnesses for their time: Ashley Alder, chair of the FCA; Nikhil Rathi, chief executive; and Sheree Howard, who is one of the directors dealing with authorisations. The uncorrected transcript of the session will be available on the website in the next couple of days. Thank you for the marathon session. We will be discussing with you how we review your work in future, because it is a lot to try and cram into one sitting.