



HOUSE OF LORDS

Industry and Regulators Committee

Corrected oral evidence: Regulators and growth

Tuesday 11 November 2025

10.05 am

Watch the meeting

Members present: Baroness Taylor of Bolton (The Chair); Lord Best; Viscount Chandos; Lord Gilbert of Panteg; Baroness Harding of Winscombe; Baroness Nichols of Selby; Lord Teverson; Viscount Thurso; Viscount Trenchard; Lord Udny-Lister; Baroness Valentine.

Evidence Session No. 2

Heard in Public

Questions 12 - 26

Witnesses

[I](#): Ben Ramanauskas, Senior Research Fellow, Policy Exchange; Anne Pardoe, Head of Policy, Citizens Advice.

Examination of witnesses

Ben Ramanauskas and Anne Pardoe.

Q12 **The Chair:** Good morning. This is the Industry and Regulators Committee in the House of Lords. We are looking at the requirement that the Government are placing on regulators with the growth agenda. Our witnesses today are Ben Ramanauskas, the senior research fellow at the Policy Exchange, and Anne Pardoe, head of policy at Citizens Advice.

We are trying to establish exactly what the Government are requiring from regulators and, indeed, what they can do to support growth. Could you give an outline of what you think the picture is at the moment in terms of what the Government are expecting and what regulators can deliver for a growth agenda? Who would like to start?

Ben Ramanauskas: I am happy to go first. Thank you for the opportunity to appear today.

The main concern is that regulators cannot do much in promoting growth because they do not have the right incentives. They are generally pro enacting more regulations, which tend to impact corporations. That then feeds through to households and consumers. That is my main takeaway from it all.

The Government have been helpful in saying that they are pro-growth. That is obviously a good thing. We should all be pro-growth. It is good that the Chancellor has set that out, but I do not think she has been clear enough about how she expects regulators to go about that, given the incentives that regulators have. The tendency is to impose more regulations, which often tend to be anti-growth.

The Chair: You have done work on smarter regulation and savings that the Government have talked about, which we may come on to later. Anne, would you like to give us a bit of perspective?

Anne Pardoe: Yes, sure. Thanks for having me along to give evidence today. To give a bit more background on Citizens Advice, and hence why we might have been asked to give evidence today, we give front-line advice to millions of people across the country on a wide range of issues, but we are also a statutory consumer advice provider and advocate in the energy and postal services markets, where we do a lot of in-depth research and work. We are the official voice of consumers within that market.

On the question, there is a clear link between regulation and growth. As Ben said, too much regulation or the wrong sort of regulation can tie businesses up in knots, which can hinder innovation and growth. Regulation passes costs on to consumers because the cost of compliance from businesses is passed through to consumers in the prices that they pay.

We have also seen regulation build up over time in response to markets changing and new problems emerging. In some sectors, particularly where you have businesses that are under the jurisdiction of regulators across multiple markets, it can be a bit of a tangled web. From the perspective of Citizens Advice, it make sense to review rule books and make sure that they remain necessary and proportionate.

There is a big “but” here, though. We are concerned that the narrative around regulation and deregulation can be a bit simplistic—all regulation is classed as red tape that needs to be vanquished. It is important to remember that each individual regulation, at the time it was brought in, was brought in for a reason and regulators go through a lengthy, arduous process to get a regulation on to the books. We need to be careful when looking at trying to remove any regulation about why that regulation was there to begin with and what is the reason that it is not needed any more.

Finally, I think that, when you get it right, regulation can help to drive growth and, critically, the right kind of growth. Regulation can ensure that companies are competing on an even playing field and that they are competing on the right kinds of things. They are competing on good customer service and value for money rather than it being a race to the bottom. We can also think about the type of regulation that regulators are using. For example, if you have a more principles-based way of regulating markets, rather than detailed rules, that can give companies room to innovate without tying them up in those detailed regulations.

The Chair: We want to follow up on quite a few of those points. I will bring in Viscount Trenchard.

Q13 Viscount Trenchard: Thank you very much. It is not exactly new that regulators have been asked to take account of growth, either as a secondary objective or to have regard to it—I wonder what the difference between the two is, in effect.

Ben, you said that regulation was anti-growth, and you may well be right. In many instances, it clearly is if it is too cumbersome and burdensome. Equally, in a market where there is no regulation at all, people may be so frightened and discouraged about the lack of rules or the lack of any means of redress if people break what rules there are, that they would refrain and restrain themselves from entering the market at all.

In considering growth, I ask both of you what you think the Government mean by growth. Do they mean growth in GDP per capita or growth in GDP absolute, and which parts of the economy they expect to grow? Do you have a good understanding of that? How can regulators navigate a trade-off between growth for the business sector and the financial markets investors and growth, on the other hand, for the citizens and consumers who you are looking after, Anne? In answering this question, can you say whether you think regulators can have a different impact on growth in the short term compared with the long term, and how this could be managed?

Ben Ramanauskas: I am happy to go first. There will always be a trade-off between businesses, consumers, the environment and so on, but they need not necessarily be mutually exclusive. If an organisation and an industry grows itself, that will benefit people who work for that organisation. It creates more jobs, boosts wages and boosts growth. Obviously, that benefits consumers: they have more money to spend and they have a better standard of living, so they are better off. They have experienced economic growth that might not show up in the GDP figures, but that is good for them.

On which sectors the Government expect to grow, it is welcome that the Government have said that they want to support growth across the economy. They have not explicitly said which sectors they want to grow. However, if we look at the industrial strategy, its focus seems to be on financial services, life sciences, technology and business in general, which is good. They are key areas for the Government to look at, but it also ignores hospitality. The industrial strategy mentions hospitality twice, which is a sector that employs tens of thousands of people. It is in fact mentioned three times in the entire industrial strategy, but the third time is a misspelling of "hospital". It ignores that key sector. Policy Exchange is looking into how to make things easier for the hospitality industry, for example, but the Government are not looking into that at the moment.

Anne Pardoe: I do not think that it is clear at the moment, particularly for the average person, what the Government mean by growth. We are talking about it and we see public debate around it and, indeed, around what we are talking about today. However, fractions of a percentage point here and there and endless commentary around that does not mean a lot to people.

What the millions of people who come to us for help each year need to know is what the Government and economic growth will do to help them, their families and their communities to thrive instead of barely survive. At the moment, we are seeing what is becoming an entrenched living standards crisis. People need to see and understand tangible growth that puts money back into their pockets, brings down the cost of essentials, invests in their services and, frankly, makes their lives easier.

Consumer confidence needs to sit at the heart of the growth agenda; within that, you then see stronger consumer protections rather than weaker consumer protections. Consumer spending accounts for around 63% of GDP. If people are not confident in engaging in markets and that they will not experience harm when they do so, particularly in new and emerging markets like net zero, we cannot really achieve growth—at least not the right kind of growth that has a real impact for people.

The other thing is that, particularly when it comes to consumer protections, arguably we are not where we need to be in protecting consumer confidence. Research shows that, in the 12 months to May 2024, people experienced £71 billion of financial losses in consumer markets. When we are looking at the agenda of deregulation, we need to

be careful, particularly when it comes to consumer protections, which is what Citizens Advice is particularly interested in in the regulatory space.

- Q14 **Lord Best:** There needs to be a balance between the objective of promoting growth and the objective of protecting the consumer, the environment, and so on, from harm. However, does it not depend on the individual regulator for where that balance lies? I wonder whether there is not even a group of regulators for whom the growth agenda is of complete irrelevance and devising ways of requiring more of that kind of regulation, growth-based regulation, is a waste of time. How do we feel about the different regulators having a different balance between the two competing objectives?

Anne Pardoe: I do not want to stray out of my area of expertise but, to be honest, all of the regulators that we focus on at Citizens Advice, which are the Financial Conduct Authority, Ofgem, and Ofcom—those are probably the main ones—all clearly have a role to play in growth as they cover essential large markets that are critical to the economy. It is crucial to get the balance right between allowing firms to innovate and not having an overly complex burden of regulation. I am sure you are right; there probably are other regulators across the economy where it is less relevant, but I cannot speak to that.

Ben Ramanauskas: I echo many of those comments and also say that regulators are stuffed with people who are well-meaning, hard-working and want to do the job that they are paid for, which often means imposing more regulation. Policy Exchange has looked at this and found there has been a ratcheting-up of both the number of regulators and the number of regulations that are just imposed. People want to work hard and want to do something, but their incentives are aligned to imposing more regulations, which will almost always come at the expense of growth. It is not because they are anti-growth themselves; it is just that, as a regulator, they must do something to justify their existence and that means thinking up more and more regulations.

Lord Best: Are we going to have to take each regulator one by one rather than lumping them all together to see where that different balance lies? The Government have said that they will strengthen the growth duty. That sounds like an overarching approach to all regulators. Is this a little bit unsophisticated? Will we need to finesse this rather more?

Ben Ramanauskas: I think you do need to finesse it. Again, it will depend on the regulator and the sector it is trying to regulate. You would have to look at financial services, in particular, which is obviously key to the economy. If you look at productivity growth as a whole in the UK since the global financial crisis, the two sectors that have not recovered are financial services and manufacturing. There is a very strong case to be made that financial services are overregulated. From the people I have spoken to who work in financial services, it is clear that things are not working as they should in that regard.

Anne Pardoe: I think the growth duty could be clearer. There is not necessarily a problem in general with regulators having a growth duty. It is one of the duties that they have among a few. To be honest, often problems are complex and there is a range of solutions that you could take to address problems with the type of regulation. It is the job of the regulator to weigh up its duties and see where there are potential conflicts and to work a way through those. For growth to be one of those, that is fine, but the Government need to be clear about what they mean by that.

I was pleased to see in the growth duties so far, and also within the regulatory action plan, that the Government are clear that it is not about reducing consumer protections per se because, as I have said, I think that is important to growth. There is more work to do on the Government's growth duty, but it is fine to have duties even if they are competing, as long as the regulator can find a way through those.

The Chair: Lord Gilbert, do you want to come in?

Q15 **Lord Gilbert of Panteg:** I want to come in briefly, Ben, on a point you have made twice now: that regulators are incentivised to increase and complicate regulation; it is in their name. In the work that you did on smarter regulation, did you find any regulators that had an ethos of simplifying or reducing regulation and removing out-of-date regulation, or do you think it is just totally across the piece that the regulators spend most of their time thinking, "How do we do more"?

Ben Ramanauskas: That is a good question. Sadly, we did not find any examples of regulators saying, "How can we cut regulation?" One of the things we are working on at Policy Exchange is looking at possibly having somebody within every regulator to say, "You need to justify this regulation. Does it work? Does it benefit businesses? Crucially, does it benefit consumers and households?" That should be the key driver but, generally, that does not exist.

There is scope for good quangos and good regulators. The Office of Tax Simplification was set up by George Osborne during the coalition years but was sadly scrapped. Its remit was to look at how to make tax much simpler and how to reduce the burden on households and consumers in complying with this complex system. Arguably, there should be something similar for regulation. There could be an office for regulatory simplification—that would be very helpful. It could go in and do an audit of every regulator and reduce the number of regulations in future.

Anne Pardoe: I will offer a little bit of a counter view on regulators always being keen to introduce new regulation. From a consumer advocate's perspective, we find the bar is high for making a case for strengthening consumer protections. Quite often for us, we will identify an issue from our real-time, front-line data from our advice services before anyone else identifies a problem. It can take years for us to keep gathering and providing that evidence to regulators and to Government.

We have to get increasingly public and vocal in raising an issue—and that is to even get a regulator to accept that there is a problem.

Then there is a lengthy process where the voice of firms far outweighs the voice of consumer groups in developing solutions to those problems. Then you have a consultation process, and then you might get some new regulations, there is often a lengthy implementation period as well. I am not saying that we should not be looking at regulations that have been on the books for a long time; I would just counter the perspective that the bar for regulators putting regulation in place is that low.

For example, financial services have introduced a consumer duty, which is an overarching principle that firms must demonstrate that their policies and actions are delivering good outcomes for consumers. That is fairly new, but we are already seeing that being taken as an opportunity to review some of the detailed rules within that sector. The Government are currently looking to reform the Consumer Credit Act and remove some of those detailed rules from legislation where they are not needed any more.

I am not saying there is not a distance to go, and I am sure there are some regulations that are redundant and could be removed, but I do not quite agree with that characterisation.

Ben Ramanauskas: May I come back and push back slightly on that? I would like to echo some of that but, again, it shows that businesses have to spend so much time consulting and engaging with the process, which puts a burden on them. That is fine if you are a large organisation with many staff and can afford to pay compliance officers and solicitors to do that work for you. However, if you are a small to medium-sized business, you do not have those resources at all. To take it more meta, I suppose, the whole system needs reforming and we need fewer burdens on businesses in general, as long as they promote the well-being of citizens and consumers.

The Chair: That is a bit of the key question. How do they balance that themselves without the guidance? Viscount Chandos.

Q16 **Viscount Chandos:** From that, are you suggesting that a small or medium-sized business should be able to provide a product or service that is less safe—whether in physical or financial terms—than a larger company that you are saying can afford to have the structure of compliance and regulatory control?

Ben Ramanauskas: That is a good question. It depends on your definition of safe, of course. They should not have to jump through so many hoops to prove that they are a safe product. You could look at streamlining the approval process in general. We might come on to this later, but it could be that an organisation is offering something that is already approved in America, Canada or Scandinavia, but it is not automatically approved in the UK.

Viscount Chandos: That streamlining would and should apply to large

companies and smaller companies alike?

Ben Ramanauskas: It should, but it does not. That is often the issue. There is often no streamlining of regulations, so it often has an impact.

Viscount Chandos: No. It is either the lowest common denominator in consumer protection, so that a small company is able to deliver it, or you say there are minimum standards of protection and companies must have the scale to be able to deliver that product or service within those requirements.

Ben Ramanauskas: Yes. I do not think that we are disagreeing here. There should be minimum standards, but often those standards are harder to comply with for smaller businesses than larger businesses, so you need an overarching review and reform of the compliance system.

The Chair: Baroness Nichols, did you want to follow up on this?

Baroness Nichols of Selby: Yes. I am slightly confused. You are saying that smaller or medium-sized businesses should be dealt with differently from bigger companies, which I can understand if you are talking about whether they can provide that. The worry I have is that if that is changed—even if there is some overarching thing—who will oversee those businesses and what would the impact on the consumer be? You cannot have different standards for a big organisation and a smaller organisation; I imagine that the consumers are getting their services from the smaller to medium-sized businesses rather than the bigger ones. I am slightly confused about what has been said.

Ben Ramanauskas: Yes, perhaps I was not clear. I am not saying that smaller firms or medium-sized firms should be exempt from regulations. I am suggesting that they often find it harder to comply with regulations in general, which impact everybody. However, larger organisations find them much easier to comply with because they have teams of lawyers and compliance specialists. I am not saying that we should lower the bar for start-ups. I am suggesting that it is harder for start-ups and smaller or medium-sized businesses to comply with the law as it is. Sorry for any confusion there.

The Chair: Okay, let us move on to Lord Udny-Lister.

Lord Udny-Lister: Sorry, can I just finish on that before I move to my question?

The Chair: Yes, of course.

Lord Udny-Lister: I get that if you are a large company, it is in your interests to have quite strict regulation because, if you have strict regulation, you get rid of competition. I totally get that. Obviously, that affects SMEs more than it will a large company because it is a resource issue. However, I am still struggling to understand the argument that you are making. If your argument is that it is all about reducing regulation for everybody, I get that, but I do not get the two-tier bit. That is what I am

confused about. Can you just take me through that argument a bit more?

Ben Ramanauskas: The argument that I am suggesting is that there should be lower regulation in general. It is not necessarily a two-tier thing; it is more that the impact is two-tier in terms of its proportion. It affects smaller and medium-sized businesses more to a disproportionate extent than it does the larger organisations. Therefore, that is why you must look at the overarching regulatory framework. I am not suggesting that smaller businesses get a free ride.

We might come on to this later in looking at regulatory sandboxes but, for the most part, regulation in general and the framework need to be simpler and less burdensome, so that smaller businesses that do not have the resources can enter the market. At the moment, they are struggling. The small and medium-sized businesses that I speak to say this is a big thing for them. They want to enter a market, but they face massive barriers to entry mainly through regulation.

The Chair: I will bring you in if there are potential consumer protection issues here that you might be worried about, but I will bring Baroness Harding in first.

Baroness Harding of Winscombe: I am sorry, I have another follow-up question on the same theme. I am just a bit worried that we are using regulation to cover a wide variety of different things and, while I agree with Lord Udny-Lister's characterisation that large companies have a vested interest in quite complex regulation that small companies or new entrants might find hard to follow, that is not true of competition regulation. The absolute opposite is true of competition regulation. Large companies have a huge incentive to not have any competition regulation. Could you react to that? I am a bit worried that you are implying that less regulation will always lead to more options, more competition and easier entrance. That is not true of competition regulation, is it?

Ben Ramanauskas: I would agree with that for the most part but, again, that looks at the regulator itself. From lots of the businesses that I have been speaking to when doing research, the Competition and Markets Authority often comes up as something they are extremely critical of in terms of how it operates and how heavy-handed it is as well. At the start of COVID-19, it was heavy-handed when it came to supermarkets. It was well-intentioned when it said that supermarkets should not be increasing prices, otherwise they would face an investigation or a fine, and the supermarkets responded as one would expect. They did not increase prices as a result, but that led to shortages on shelves. It was well-meaning from the Competition and Markets Authority, but it led to consumers being less well-off because they could not get the goods that they wanted.

During the aftermath of COVID-19, the energy price spike and the war in Ukraine, the Competition and Markets Authority acted in a similar way. It warned supermarkets that they should not act in a certain way and the supermarkets followed that advice. They did not raise prices, which would

be the natural thing in a free market. They should have raised prices, which could have helped them to meet consumer needs, but they did not do that and, therefore, consumers were worse off.

The Chair: Anne, you are the consumer voice, in a way, in this argument on the protection that is required.

Anne Pardoe: Yes. Lots of thoughts were sparking through that conversation, but I have lost some of those threads now. On the small businesses versus big businesses theme, I have sympathy for the argument that it is harder for smaller firms to comply with complex regulations. In essential services markets, the barrier to entry and being able to provide customers with those services should be quite high, frankly.

In the years running up to the energy price rises, we saw lots of new entrants to the energy market, which was hailed as a good thing. At first glance, it was a good thing, threatening the incumbent suppliers. However, at Citizens Advice, as a statutory advocate, we saw that often those firms were completely ill-equipped to follow basic consumer protection regulations. Some of them did not even know what half of them were. We did a lot of work, as a statutory advocate, to educate those suppliers about what their basic responsibilities were. That is partly our role, but it is quite worrying; often, it is about things like prepayment meters where, if you get them wrong or put them in the wrong house, people are literally sat in the cold and the dark because they cannot top them up.

The stakes in these markets are high. Then, as soon as energy prices shot up, a wave of those businesses went under. You could say that that is because of regulation; I would say that it was because their business model was not robust enough to cover that. Yes, it is harder for the small firms and there are looser regulations in other markets, but I think that the bar needs to be high in essential services markets.

On the food point and the Competition and Markets Authority saying to supermarkets "We cannot see you put prices up", you could say that that led to some poorer consumer outcomes because maybe some of the products were not on the shelves, but we still saw a huge rise in the number of people coming to us for crisis support because they needed food bank vouchers; they could not afford to put food on the table. That intervention put pressure on supermarkets and retailers and there is an argument about whether more of that should have been borne by the Government.

However, overall, if food prices had gone up much more than they did, we would have seen an even bigger living standards crisis. We also saw the Government step in with support, which was much needed through COVID-19, and energy bill support through the energy price rise, so there is a bit more of a balanced picture, I think.

Ben Ramanauskas: May I respond to that, please? I agree with much of what Anne has said, but it is not the regulators' place necessarily to ensure a standard of living for people. That might be the Government's role and they should be using targeted support for people on very low incomes who cannot afford to put the heating on or to do their weekly shop. That should be something that the Government do through targeted support by direct cash payments. That should not be a regulator's role. That just complicates things.

It is the same way that you see things with the VAT system in the UK. We try to provide welfare for low-income people by zero rating some products and having a higher rate on other products, whereas there should be a more standardised approach to this. It would be much better and much more effective and efficient if the Government just directly paid people who are struggling with a high cost of living during certain crises or in general, rather than expecting a regulator to think that this could be the best possible price for energy or that Sainsbury's should not put a loaf of bread up by tuppence or something. That is very well-meaning, but it is a very inefficient way of providing welfare for people, and that should probably be the role of the Government.

The Chair: We will not go into VAT on essentials and the differences there, interesting though that is.

Q17 **Lord Udney-Lister:** I will now move on to what the Government are really talking about. The Government have described the current regulatory approach as too risk averse. What role can and should the Government play in setting risk appetite or should they be encouraging regulators to accept more risk?

Anne Pardoe: The Government are potentially a bit unfair on regulators in this space. I do not think that the Government are always clear what exactly they mean by wanting regulators to take more risk, and bearing some of the responsibility for that if things go wrong. From the perspective of Citizens Advice, the question is not about not taking risks. To secure economic growth we need to take risks, but we need to be really careful about where that risk falls. At the moment, consumers do not have deep pockets and financial resilience is low. We see huge numbers of people coming to us who are in a negative budget, where their essential outgoings are higher than their income.

People as a whole, most people, do not have the financial resilience to have too much of the risk falling on them. However, it is also about where the balance of that risk falls among consumers, among people. There are some people who have deeper pockets than others. When regulators are looking at a particular area, such as trying to encourage people with savings to invest more of that into markets, that is risky, but it is not for the regulator to say that it does not do that. It is for the regulator to look at what the risks of this are to consumers, who can bear those risks most and which groups of people might need additional protections within the market. Within that, it is important that regulators talk to a broad range of people, including consumer groups such as

Citizens Advice, because we have data on the types of problems that people have and insights into what those risks might be.

I will be quick on this, but there is a distinction with risks when things go wrong. One is, if you try something, you fully understood all of the risks and decide to make that decision anyway, as long as you spot when things are going wrong quickly and intervene. We need to trial things. The second is needing to row back because you have made a snap judgment to reduce a regulation or go for something, you have not thought through the risks and suddenly it goes wrong. What we are arguing for is not no risk, but thinking about where that risk is falling, who can most handle that risk, and going into it with your eyes open, having fully understood where those risks are in order to make an informed decision.

Ben Ramanauskas: It depends on what you mean by risk; sometimes doing nothing is actually the most risky option. If we do not allow businesses to take on any risk at all, that would be very bad for the economy and for consumers. You would have no innovation, no growth and very few of the things that the Government are striving for.

The energy market is a good thing to look at. As mentioned earlier, yes, we encouraged lots of new entrants to that market, but they were not well capitalised and were not prepared for any of the shocks that were coming, but one reason that they struggled was because there were lots of regulations. The energy price cap had an impact on them, which obviously impacted all firms. I think that the Government should be encouraging regulators to be much less risk averse in general.

Lord Udny-Lister: Can I follow up with a supplementary question? It follows on from what you have been saying. Should the Government be seeking to modulate their approach depending on whether the sector represents a systemic risk to the economy as opposed to other areas?

Ben Ramanauskas: They already do when it comes to financial services, in particular, and energy. They are very sensitive when it comes to energy prices; obviously that impacts pretty much everybody. They are concerned about fuel bills going up and the like. They are keen to respond to that and it is a very politically sensitive issue. They do that for financial services as well. That is a systemic risk for the economy, but the regulators tend to do a very bad job in that. As I mentioned in my introductory remarks, the Financial Conduct Authority, the Bank of England and the Prudential Regulation Authority tend to do a very bad job when it comes to regulating financial services. It explains why we have such low productivity in the UK. You might want them to be more sensitive and modulate, as you say, to regulation of financial services and key industries, but you probably want them to be much more light touch as opposed to the heavy-handed approach that they tend to take.

Q18 **Lord Teverson:** We have gone through much of this question already. However, I follow on from Lord Udny-Lister on the Financial Conduct Authority, which you seem to have a thing about—I know that other

people do as well. Can you give some more examples of where you think that it has that wrong and where that is? I am also very aware that there is a huge number of scams in the financial area and, if you are not a sophisticated investor—and even they get caught sometimes—it can seem like the Wild West from a consumer point of view. Can you go through a couple of examples of where you see that problem?

Ben Ramanauskas: Obviously the Financial Conduct Authority does great work in many ways; this is not a gripe against it, but there are examples where, without impact assessments, it was going to impose regulations on firms, where they had to report things relating to the gender pay gap and to the make-up of their employees and senior level people, which would have imposed significant costs on financial services firms. That would have distracted them from their main objective of doing their job of providing services for clients and investors.

Lord Teverson: Anne, do you want to come back in on some other area of risk?

Anne Pardoe: This is a broader point than financial services, to be fair. What we have seen across markets is that firms have shown that without regulation they cannot be trusted, frankly, to act in the interest of their customers. To give a few examples from financial services where the Financial Conduct Authority has had to step in, we have had the introduction of regulation in the buy now, pay later market, where we have seen a huge amount of financial harm, people being lent money that they cannot afford to pay back. We had to have new regulation of the bailiff industry, which sits adjacent to the financial services market but needs a separate regulator. We have seen huge amounts of bad practice in that market. You go back to just before the financial crash and you had that massive payment protection insurance scandal, which resulted in billions of pounds going back to consumers. Car finance was the most recent one. I could list across all markets. I am not saying that we need to make sure that we are hammering firms with as much regulation as possible, but this so clear—and it is often the biggest businesses, sometimes small businesses.

We also see regulatory whack-a-mole. As I said, it takes a long time to get a regulation in place and, by the time you have done that, usually, a lot of the harm—not all of it—has moved somewhere else because firms can be quite nimble, particularly in a technology age. You see that the regulator whacks down over here and the problem picks up over there.

I think that the answer to that is more principles-based regulation, so that you do not have a detailed rule to dictate everything that a company does, but firms are required to show that whatever they have done they can link back to, "This policy supports good outcomes for consumers and is not harmful in this way". That creates a good balance of regulators still being able to hold firms to account and being able to be more nimble in it, while giving firms a bit more freedom.

We have seen that introduced in financial services. It is still early days, but I think that it is the right move. Yesterday, Ofgem put out a call for evidence where it suggested moving in a similar direction. We want to see that replicated across all the markets. That helps with innovation without hindering it. I just do not buy this idea that, if you free firms up, they will deliver good outcomes for people, because they have shown that they do not.

- Q19 **Viscount Chandos:** Do we need a more constructive dialogue between the regulators and the regulated and, behind all of that, consumers? It seems to me that the portrayal of companies overburdened with regulation that you give is based on an idea that somehow there is a company's operations and then, on top of it, is an overlay of regulation that is, almost by definition, irksome. Should a company not think that the cost of complying with regulation, which should for all companies be as unintrusive as is consistent with protecting consumers, is as central a cost as the costs of manufacturing the goods or delivering the service? We can look at something like the drug discovery industry, of which start-ups are an essential part, and it is doing two things. It is doing the fundamental science and it is delivering the regulatory approvals through the clinical trials. It seems to me that the more the debate is that there is a great weight of unreasonable regulation, the less constructive the dialogue is.

Ben Ramanauskas: That is a very fair point, but it is almost the mirror image of what was said earlier. Most firms are not trying to pull a fast one on consumers or people in general. There are obviously some very bad actors and, when that happens, they should be punished to the full extent of the law. However, is having a regulator to regulate them and make sure that they comply the best way to go about that or could there be a different way of going about it? Ensuring that you provide a good-quality product or service to the general public is part of the general cost of running a business, but it is in the interest of a business or any organisation to provide a good-quality service to the people they want to sell to. If they start selling a toothpaste that poisons people, they will go out of business very quickly.

The Chair: That is a bit late for some people.

Ben Ramanauskas: Yes, but they would not survive for very long. It is in the best interests of a firm to have the best interests of consumers at its heart. I am not saying that certain rules like not having a product that kills people or poisons people is a bad thing. That is a good thing and that is the law, but the tendency of regulators, because of the incentives under which they operate, is to put more and more regulations on them, which are not good for the firm, not good for the industry and, ultimately, not good for consumers.

Anne Pardoe: What you say about regulators having more of a dialogue with firms and being clearer is absolutely right. The Competition and Markets Authority and the Financial Conduct Authority, in their discussion about how they will prompt growth and look at their strategies for the

year ahead, have acknowledged that they could be doing a better job of being clearer to businesses about what their regulations mean and having those open dialogues. That absolutely needs to be part of the picture.

The other thing is that firms are a bit funny when it comes to regulation. Maybe if you just got rid of regulation completely, they would be happy. You see firms, rightly, complain sometimes that they cannot follow all these detailed rules, the reporting requirements constrains them and ties them in knots. However, when regulators then try to take the more principles-based approach that I was talking about, the firms are the first ones to ask whether they can have some detailed guidance about what compliance looks like here. That is about their own risk appetite around wanting to show compliance of regulation.

That may just be part of the culture that we have, but firms should be thinking, "Well, this is the spirit of the regulation and the outcome that I will deliver. How do my policies and processes deliver that outcome?" However, because compliance departments in particular—to be fair, it is their job—are focused on, "What does that mean? Will I get fined if I do this? Do I get that?", they want detailed steers from regulators about what compliance looks like, but then complain about the level of detail that they require. Again, as with everything, there is a balance.

The Chair: That is the feeling that good regulators can provide a stability for any sector because they then know the boundaries in which they are operating.

Anne Pardoe: Yes, and it is also a little bit of give and take. As we are introducing the consumer duty, there is an acceptance, from the Financial Conduct Authority and from Citizens Advice as well, that we are all on a journey and we are trying to figure this out and we will not get it right straightaway. I do not think that firms should be penalised for being seen to slightly step out of bounds. It is all about the outcomes that consumers are experiencing. If a company has done something that has caused a significant amount of harm to their customer base, of course they should be punished for that. If it is that their call times are slightly outside of what we would deem the bounds of acceptable for a period, that is slightly different. It is a conversation. As an organisation, we are focused on what the outcome is for consumers and what the framework is that gets us there.

The Chair: Thank you. I will go to Baroness Valentine now, who is online, though we will have to have a break shortly for the two-minute silence.

Q20 Baroness Valentine: On the tail end of that conversation, I am asking myself whether the maturity of the regulator and the maturity of the market are relevant to whether you do principles-based regulation or detailed regulation.

However, let me come on to the question. The Government have brought together their current policies on regulation in the action plan that they

published in March and the progress update published in October. To what extent do the plan and the update provide a coherent strategy for ensuring that regulators drive growth? Let me ask the rest of the question and then we will probably hit time. The action plan includes a commitment to cut administrative costs for business by 25% by the end of the Parliament. Given that the Government have only managed to identify £1.5 billion of savings so far, against a target of £5.6 billion by the end of Parliament, and given that similar measures have failed in the past, do you think that this is credible?

Sitting suspended.

The Chair: You have the essence of the question from Baroness Valentine. Ben, you have done work on smart regulations and maybe that is relevant here.

Ben Ramanauskas: It is welcome that the Government have put out this plan, but they have been quite unclear about how to achieve it, quite frankly. It is welcome that they want to slash the regulatory admin costs and admin compliance, but the Government are going about it maybe in the wrong way, saying that regulators themselves should be slashing regulations or reducing the burden, but we need to be looking at reducing the number of regulators for the most part. There has been some good progress in merging regulators, which will bring some benefits—we might come on to discuss that later—but just telling regulators to regulate less is not helpful for the regulators themselves because they have the incentives to create more regulations. It is possibly the wrong focus for the Government.

Anne Pardoe: Yes, I find the regulatory action plan a little bit difficult to engage with. I get why the Government have done it, but it is quite hard to engage with the concept as a whole. As we talked about earlier, the roles of various regulators are very different and how they might contribute to growth are very different. It is fine for Government to give a steer that they want to see a reduction in the burden of regulation but, as an action plan, it does not add up massively. We cannot engage with detail on what they mean and what regulations they want to see removed. They have been clear on planning regulation but, in other sectors they have just said “Reduce the burden of regulation”, without being super clear about what they mean.

I welcome that the Government do make clear within the action plan that consumer protection remains important. I will not repeat my points, but I and Citizens Advice believe that very strongly. There is a risk around this narrative as a whole, as well as the action plan, for firms to see this as an opportunity to lobby on their favourite bugbears and the regulation that they personally do not like but is needed. If I am honest, if I were doing my job in one of the firms, that is exactly what I would be thinking: “Which things can we do? That is anti-growth and the Government have told us you have to cut regulations, so we want to see X, Y, Z gone.” I also worry that it could constrain regulators in taking action to address

harms as they are emerging and being more reluctant to introduce regulation.

As I said, Citizens Advice is not pro regulation per se. We are pro good consumer outcomes, and regulation is one way of delivering that; it is one thing that we can use. I worry that the action plan and this focus could lead to, "We cannot do an extra regulation because then we will be shouted at as anti-growth".

- Q21 **Baroness Valentine:** Can I come back a bit on those? There is a version of life that we receive, which is that there are a lot of old regulations with the regulators that could be modernised or looked at in some way. You have both been talking about proportionality of regulation—detail versus principles or heavy-handedness. If one were to address modernising the regulations, which presumably involves the departments as well as the regulators, and to address this balance of over heavy-handedness, of which we have had some evidence with the building safety regulator, there is obviously the trade-off with risk—I am not trying to suggest any less focus on that—and the case is more about process improvement. Is there any space in that area where you think admin costs could in practice come down, possibly not in the short term but longer term?

Ben Ramanauskas: In the long term, definitely, and I would look at sunseting many of the regulations. As you said, there are lots of old regulations on the books. It comes back to something that I said earlier: you might want to have within each regulator—if you are not going to close them down—someone going in and asking, "What is this regulation? Why does it exist? Has it served its purpose? Does it benefit consumers? Is it improving life for people? Is it making everything easier? Why is it here?" If it is not doing those things, get rid of it. This would link back to that and, in the medium to long term, would be a very beneficial thing.

Anne Pardoe: I agree with that on administrative costs. It is not an area that I have done a lot of work in, but I have heard anecdotally from firms that reporting processes to regulators can be cumbersome and not in the easiest format. Could we look at using digital portals? I am sure that there are areas of administration that we can look to realise over time—as long as that does not lead to risks for consumers. As I said, costs of compliance get passed through to consumers in the price that we pay for services, so it is a win-win as long as we are not leaving them open to risk of harm.

Where there are rules outside of administration costs that are no longer fit for purpose and are covered by something else or by another regulator, we should look to remove those. That is part of what the reform to the Consumer Credit Act is all about: removing some regulations from statute that are no longer needed. We are seeing steps in that direction. We need to make sure that, just as there is a cost-benefit analysis when we introduce a regulation, we have a full cost-benefit analysis when we remove one as well, making sure that we go in with our eyes wide open about the risks, who they are to and is it a risk

that we are willing to take. That is a decision for regulators and the Government jointly.

Ben Ramanauskas: Just to come back on the cost-benefit analysis, often regulators do not conduct a cost-benefit analysis when they are introducing new regulations. A government department has to, but often a regulator does not or it does it far too late in the process and it realises that the regulation that it has brought in imposes far more costs than benefits. That is definitely something that needs to be looked into.

Baroness Valentine: That is external cost benefit that you are talking about there. There is obviously an internal one, which is it worth the staff time to do this. Are you talking about both of those things?

Ben Ramanauskas: Both of those things, yes.

Q22 **Lord Gilbert of Panteg:** We have talked to a number of regulators in our various inquiries and they raise a number of issues. One is the cost of compliance, which we have largely talked about, but another is speed of regulatory approvals, which can hold back a business. Recent inquiry witnesses told us that there were significant delays to building developments because they could not get speedy approvals. How do we deal with that? Where a regulator is in the business of giving a regulatory approval, does it need more resource to speed up the process? If so, where should that resource come from? Should it come from increased fees, from the Government or from savings within the regulator itself?

Ben Ramanauskas: They do not necessarily need more resources; they need to do less. If they focus on specific regulations, ensuring that firms or industries are complying with one or two major regulations that ensure that consumers are not being harmed and it boosts growth, that will be much better than the current system. I do not mean to—well, actually, I do mean to—repeat the point that the incentives for regulators are to impose more and more regulations. I would not say that they need more money because that comes from the people they are regulating. The Financial Conduct Authority gets a lot of its funding from financial services firms and a lot of that comes from fines, which creates perverse incentives for the Financial Conduct Authority. That is not good for the firms that it is regulating or the wider economy.

We simply cannot put more taxes on people given, obviously, that that is what the Government will be doing in the Budget. That is not a good thing. I would say, focus on doing fewer things, but doing them very, very well.

Anne Pardoe: I do not have a huge amount to say on approvals processes. The only thing that jogged a thought for me is on paying more for fast lanes. I would be worried about anything that creates an unlevel playing field, because the firms that are most likely to be able to pay to use a fast lane would be the bigger, incumbent firms, which brings the risk you were talking about earlier of smaller, disruptor-type firms being unlikely to be able to do that, so there is a risk that they get left behind.

We have seen the size of regulators in the sectors we are looking to grow. Particularly Ofgem has grown significantly, and Ofcom as well, but frankly that is because the number of sectors they have been asked to regulate has increased, and those markets are becoming increasingly complex and the decisions they are making are increasingly complex. For example, Ofgem has recently taken on responsibility for regulating the heat network market, which has not been regulated before, so the number of staff has increased.

I am not saying that regulators could not make efficiencies; I am sure they could. As Ben said, ultimately the cost of regulation is borne by billpayers because it is a levy on industry that is passed through to consumers. Regulators have grown, but I am sure there are efficiencies.

Lord Gilbert of Panteg: Substantially delayed regulatory approvals are themselves an economic harm and ultimately end up harming consumers. However, paying to speed them up one way or the other will be a cost to consumers. You cannot see how it would not be, either through general taxation if the Government foot the bill or on the product if the regulator foots the bill. Do you agree with Ben that the focus should be on regulators focusing on doing the important stuff and finding the savings within their organisation, rather than one way or the other passing it to consumers?

Anne Pardoe: Yes, I absolutely think that regulators should be focusing on the important stuff. If approvals are a significant problem for firms, regulators should be looking at ways that they can make efficiencies there. I would be worried if that was at the cost of scrutiny in areas like safety, in particular, but as long as they are focusing on that and on some of the more administrative elements—it is not an area that I have spent a lot of time looking into, but I agree. Faster means consumers might get products quicker, more innovative products—as long as it is done safely.

On where the balance of cost falls, it probably is right that it is with firms rather than government on that particular one. Public funds are so constrained at the moment and we need to be careful and prioritise where we are putting that money. Citizens Advice would probably prioritise other areas of government spending rather than this in particular. However, regulators should absolutely be looking to reduce those costs, speed things up, use technology, do whatever they can to speed processes up and make themselves more efficient.

Lord Gilbert of Panteg: On balance, would you choose the cost to be a burden on consumers picking up the cost for business, rather than—

Anne Pardoe: For this, yes. In other areas, as Ben said, in social tariffs like bill support, that should be more with government. Different things should fall in different places, but for this it is a business cost. Ultimately, people are paying either way; they pay through their bills or they pay through their taxes. In this particular circumstance, it should be firms.

Q23 Viscount Chandos: Leading into my question, I am still troubled by this portrayal of regulators being incentivised to increase regulation. It seems to me that regulators see themselves as creating the good outcomes for consumers that Anne refers to. Historically the growth objective has always been implicit; it was the necessary level of regulation within as dynamic a sector or an economy as possible. This and the previous Government's emphasis on growth for regulators is making that implicit more explicit. Is not the genuine growth in regulation, or the need for regulation, partly because of the increasing complexity of the world we live in?

That leads into tech and AI, which poses both a threat and an opportunity for companies and their relevant regulators. Prior to any overarching AI regulatory regime, every regulator has been directed to take AI into account in the risk their sector has. Equally, AI and other areas of tech give the opportunity to improve the way companies, the regulated and the regulators, operate—or do they? Tech and AI is a two-edged sword.

Ben Ramanauskas: I would push back on your first point, though, and say that the regulators are very well meaning. They are not imposing these regulations because they like the idea of having regulations, and they are probably pro-growth themselves, but they do still have the incentives to impose more regulations. That would be borne out by recent economic history, in that we have new regulators and they impose more regulations and then they impose more and more regulations as time goes on.

Viscount Chandos: This conjures up a year-end evaluation where somebody is assessed for how many new regulations they have introduced; whereas surely, it is the outcomes and the assessment of risk that goes into saying what the level of regulation is and how it is applied that achieves those outcomes. As Lord Best said, different regulators will have different appetites for risk. A nuclear regulator has a near existentialist risk to worry about, whereas, without being cavalier about people's financial health, the Financial Conduct Authority's risks are less existential.

Ben Ramanauskas: Yes, and ideally you would have the ideal regulator in the same way that you would have the ideal government and the ideal civil servants and the ideal House of Lords committee members, but people are incentivised to impose more and more regulations, which has been borne out throughout history.

The AI and data point is a very interesting one. I think that it will be incredibly disruptive. We have seen already that it has been very destructive for the labour market, especially in the services industry where we are seeing far fewer graduate jobs now, and that will probably increase. We do not know the full extent of it, but it can be a great help to regulators. In the same way that law firms can when they are doing a case, the Competition and Markets Authority and the Financial Conduct Authority, if they are doing an investigation, can have lots and lots of

documents to review. AI can help with that. Hopefully, it will help to speed up their investigations and any other work they are doing.

The data point needs to be urgently addressed. It is being addressed to some extent, but the Office for National Statistics has been failing for quite some time, especially in the Labour Force Survey. We have no idea how many people are in work or why they are not in work. I know that the Government are looking into it. The Office for National Statistics has been given a mandate to do that. It is not a regulator, but the work the Office for National Statistics does is so important, and it guides the work of pretty much every single regulator. Hopefully, better data and use of AI will be very helpful.

Anne Pardoe: I fundamentally disagree with the idea that regulators are incentivised to introduce more regulations. I am not saying that they have never introduced a regulation that was unnecessary at the time, but it is not my experience of working with regulators that they are actively looking to introduce more regulations to justify their existence. Usually they have more to do than they can manage to do. In my experience, we are trying to get them to increase regulation. That is not easy at all. The evidential barrier is incredibly high and there is a lot of stick in the process.

I agree that there are lots of benefits of AI. Any innovation that can be used to drive improvements in the experience of consumers is welcome. I can see how it can deliver, again with appropriate safeguards, great improvements for consumers in customer service and speeding up the service that they receive. We have been trialling it carefully on our advice services, not giving direct advice to our clients but giving prompts to our advisers as they are having those conversations. There are huge benefits for consumers. As with any emergent technology, though, there are risks and we will need to be careful in how we manage those risks.

There are definitely benefits for regulators, which you talked about, in being able to synthesise information more quickly. I definitely echo better government data, please, better data all around: for example, household income—who is entitled to what? It opens up lots of opportunities if we can get the government data right in matching people who need support directly to the support available to them.

Q24 Baroness Harding of Winscombe: The Government have said that they will strengthen regulators' accountability, publish key performance indicators and expect sponsor departments to conduct more formal performance reviews. Do you think that government departments have the right tools and information to hold regulators to account? Particularly, are they able to make enough use of other sources of information from companies and consumer voices?

Anne Pardoe: There is a clear gap for regulators and government departments in the information that is directly available to them. They can request information from companies about what their policies and procedures are and some metrics from them on how many complaints

they receive and how they answer the phone. However, the Government and regulators are not very well equipped, and do not have access to a huge amount of information about the consumer outcomes that I was talking about beyond that. Are consumers experiencing harm in markets? Are they having a good experience? Are they able to realise the benefits of innovation? That is where a strong consumer voice comes in. Through our advice services, we have a huge amount of rich data real time, so we have a good understanding of what consumers are experiencing on the ground.

In the energy market, I mentioned at the start that we are the statutory advice provider and consumer advocate. With the additional resource that we get with that role, we are able to take a huge amount of value from that data, which we provide directly to regulators and government. We supplement that with in-depth research with consumers, which is nationally representative, on what they are experiencing and where the harms are; crucially, that allows us to use that data to understand what interventions might be needed and to make sure that they are practical and will be effective in targeting that harm. We call that the advice advocacy feedback loop. It is a valuable resource that we are able to make full use of in the energy market. Ofgem and the Department for Energy Security and Net Zero have been open about how much they rely on that data and value it.

There are different arrangements in other essential markets. It is completely missing in financial services and telecoms at the moment, and that is a real gap. If we were to look at how the Government hold regulators to account, I would strongly urge for that to have a strong component of what the consumer experience is in these markets and what they have done to improve the consumer experience, not just how much regulation they have removed this year. I would like to see Key Performance Indicators on how they have taken into account the experience of consumers, what they have done to improve it as a Key Performance Indicator, perhaps alongside what they have done to reduce the regulatory burden and make sales more efficient.

Baroness Harding of Winscombe: Can departments do this?

Ben Ramanauskas: I agree with much of what has just been said, but often departments and Ministers do not have the tools to hold regulators to account. Regulators are set up as arm's-length bodies, and obviously they are at arm's length. In a previous life I was an adviser to the Trade Secretary, and that involved helping to set up the Trade Remedies Authority, which is not quite a regulator but has now grown in scope to regulate things to do with trade. We put it in Reading for a very specific reason, because it was close enough to London that in theory, a Government Minister could go and visit it if they wanted to; but it still involved a train journey to Reading, so they probably would not want to burden themselves with that. But that is all baked in.

It is not right that Ministers should be interfering in particular decisions of regulators, but it is very hard for the Government and Parliament to hold

regulators to account. Sometimes they are brought before committees such as this, but that seems to be increasingly rare. Often, a Minister has only the nuclear button of firing the head of a regulator, as Rachel Reeves—I would argue rightly—did with the chair of the Competition and Markets Authority, because they did not have good enough ideas for growth. They have very blunt tools for keeping and holding regulators to account.

Baroness Harding of Winscombe: What would you change to enable the Government and Parliament to hold regulators to account?

Ben Ramanauskas: A lot of it needs to be brought in-house again. I think there has been an abdication of responsibility on the part of Ministers, saying, "We do not want to make these difficult decisions: you deal with it". Trade is an interesting one, and the Government are taking more of an interest in the work of the Trade Remedies Authority and saying that they will strengthen its resources to look at unfair trading practices across the world and impose tariffs and the like and bring that in-house. That is probably the right thing to do. These are very difficult decisions and they impact lots of people, and those decisions are probably more appropriately taken by the people we elect rather than some unaccountable quango somewhere in Reading or elsewhere.

The Chair: This committee has made some suggestions about how we could improve accountability, which we will make sure you get the chance to see. I am going back online now to Viscount Thurso, who has been very patient.

Q25 **Viscount Thurso:** My question is about the Government's announced plans to review every public body, with a view to either closing, merging or bringing functions back into departments. A number of regulatory mergers have already been announced. What do you think will be the impact of these plans on regulators and their ability to achieve their objectives?

Ben Ramanauskas: I am happy to follow up on what I said a few moments ago—that it is probably a positive step, merging certain regulators, merging certain quangos, helping them to focus on a few things rather than trying to regulate everything, and at the same time bringing things in-house so that there is proper accountability for the decisions that are made and their consequences. Of course there will be disruptions. Every time a department or any organisation merges and has to take on more responsibilities, there will be some short-term loss and disruption, but I think that in the medium to long term it is a positive thing.

Viscount Thurso: Can I just test that with a specific example? We are currently undertaking work looking at the Building Safety Regulator. That is a regulator that was created by statute by the Government as a direct response to the tragedy of Grenfell. I think that everybody agrees that the standards that were used in products and maintenance and construction were below standard. Everybody agreed that something

needed to be done. The “something” is a regulator, and it has been made independent because of a view that if it was in a department it would not get the attention it needed. It was in the Health and Safety Executive and it has now come out. Which bit of that do you disagree with?

Ben Ramanauskas: Maybe the latter, in the sense that it would not get the attention that it needs. Creating the regulator was well-intentioned. It is an important thing and it is getting the attention that it deserves, because it is incredibly important and emotive. However, lots of things are important but do not get the attention they deserve. I mentioned earlier that the Office of Tax Simplification was established during George Osborne’s time as Chancellor. That is an important thing, as we are seeing more now that we need a simpler tax system. It was essentially put in the basement of the Treasury and it was staffed by a few people who seldom left the office. It did not get the attention it deserved, but that was an independent regulator and arguably would have got more attention if the people who could get removed from their job quite easily—MPs and Ministers—were much more incentivised and involved in that.

Viscount Thurso: Forgive me, I was on the Treasury Select Committee when that happened and I looked into all of that. My recollection is that it is not a regulator. The Chancellor of the Exchequer, which is the political power that you are basically saying it should be, has chosen to ignore it—of all persuasions—whereas building standards is about things that we all require to be done properly, and Ministers want toes to be held to the fire. I am trying to understand what exactly it is, when you are given a practical example, that you would either bring back to the Minister or stop doing or simply not regulate.

Ben Ramanauskas: As with the Office of Tax Simplification example that I mentioned, that was the Government abdicating responsibility for it, so it supports my point about certain functions—and we might not want to go into exactly what some functions should be. But the Government are essentially saying to an unelected body that it has responsibility for something that is very important. It might do a good job at it, it might do a bad job at it, but there is very little way of holding it to account.

The Chair: Anne, do you want to add something Viscount Thurso’s first point?

Viscount Thurso: The question was about the Government merging or bringing functions back in—in other words, generally simplifying everything.

Anne Pardoe: Overall I think that it is a good idea. It is a good way to make efficiencies. If it makes sense for certain things to be together, that creates more joined-up decision-making. It makes things simpler for firms. It hopefully makes it less likely that things drop between the cracks of different regulators. That makes a lot of sense in simplifying the landscape for everyone.

Something to watch out for, although it is not a reason not to do it, is that we just end up with regulators paralysed while we go through this process. With anyone who has been through an organisational restructure or merger, as you were saying, it is human nature that people get very fixated on, "What does that mean for me? What does that mean for my department and my work?" It can create quite a lot of navel-gazing and means, therefore, that the important work of regulators might not happen in quite the same way. I am not sure that you can stop that happening completely, but regulators need to be focused on still delivering what they are supposed to be delivering throughout that process. It is also for government and the regulators involved to figure out the most streamlined and sensible way of doing this. That is not for me to pontificate on, but I would hate to see the work of regulators stop.

Two of the sectors that we care most about are going through this process. We have the review of Ofgem's role as a regulator. It is positive, it is an important market and it is right that the regulatory framework is working well. It is the same in the water sector, where we have just had the independent commission, which has many recommendations, a lot of which are very good. The water sector urgently needs reform and the regulator needs to be right. However, we cannot let the important work of the regulators in the energy and water sector fall down. There are huge decisions to be made and there is a huge amount of work to be done, so we need to find a way to make these mergers without the work falling over.

Q26 Baroness Nichols of Selby: Do you have any good examples of regulators supporting innovation and growth that we should look to, including those in other countries? Are there any specific sectors or businesses that you feel might be well placed to illustrate key issues?

Anne Pardoe: I can give one example. I will hold my hands up upfront and say that this is an example given to me by a colleague. I will tell you what it is, and I am happy to follow up with more detail if you are interested in it. It is within the energy sector, where energy networks are given significant allowances to develop innovative solutions. There is the Strategic Innovation Fund and a network innovation allowance, which is worth more than £500 million—a significant investment across the five-year price-control period. We think that the level of funding should help to stimulate innovation and lead to deep transformational changes. We have already published a report on this, in August, and we are now working with the networks themselves to look a bit more at how successful this innovation funding has been in delivering good outcomes. I am very happy to follow up with more information if that is helpful.

Baroness Nichols of Selby: Further information would be extremely useful.

Ben Ramanauskas: Look around the world. Singapore has a very light-touch approach to regulation. It is not the most innovative country but it is very good for established firms. Denmark is very good. The United States historically has been good, but obviously things are in a bit of flux

at the moment for various reasons. Estonia is a very interesting one. Since it gained its independence, it has had a very good tax system and a very good regulatory system. Today I read in *City A.M.* that the chair of the UK's AI Safety Institute, which is technically a regulator, has moved his firm over to Estonia because it is better for the long-term viability of his firm and its profitability, which says a lot about regulation in the UK.

The Chair: Thank you very much. We have kept you for quite a long time, so thank you for being generous with your time. By all means if you want to send us more detail, that would be very welcome. If there are other points that you want to follow up, by all means do get back in touch. Thank you very much. I will close the public section of this meeting.