

Treasury Committee

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

Tuesday 24 March 2026

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Chris Coghlan; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Catherine West; Yuan Yang.

Questions 530 - 637

Witnesses

I: Nikhil Rathi, Chief Executive, Financial Conduct Authority; Ashley Alder, Chair, FCA Board, Financial Conduct Authority; Sarah Pritchard, Deputy Chief Executive, Financial Conduct Authority.

II: Nikhil Rathi, Chief Executive, Financial Conduct Authority; Jessica Rusu, Chief Data, Information and Intelligence Officer, Financial Conduct Authority; Steve Smart, Joint Executive Director for Enforcement and Market Oversight, Financial Conduct Authority.

Examination of witnesses

Witnesses: Nikhil Rathi, Ashley Alder and Sarah Pritchard.

Q530 Chair: Welcome to the Treasury Select Committee on Tuesday 24 March 2026. We are delighted today to have the Financial Conduct Authority in front of us, as one of our regular sessions talking to them. We have split the panel into two parts, because we want to discuss topical issues that have arisen since we last met. In our second panel, we will be looking specifically at financial crimes. There will be some different personnel, but it is still the Financial Conduct Authority.

I am delighted to welcome Nikhil Rathi, who is the chief executive of the Financial Conduct Authority. He is joined by Ashley Alder, the chair of the Financial Conduct Authority board, and Sarah Pritchard, who is the deputy chief exec of the FCA.

Before we go into some of the main issues in the UK, the *Financial Times*, among others, has been running a story today about potential insider trading in the US, where there were some rather large movements in oil trading 15 minutes before President Trump made his announcements about conversations with the Iranian Government. Comments include that this is extremely unusual—there were no other events planned that day. Is this something that is worrying you, Mr Rathi, at the FCA, about potential insider trading in the UK? Are you watching the markets for that sort of behaviour?

Nikhil Rathi: We are absolutely watching the markets. These are extraordinary times. There has been a significant energy shock and oil price shock. The markets are seeking to process in real time very significant pieces of news. Our primary focus has been on ensuring resilience and functioning of all the markets that we oversee, for both the UK and the global markets that we oversee. We have seen extraordinary volumes going through, but broadly speaking, the resilience sustained and market participants seeking to do what they are there for, which is trying to consider what the price should be in the context of this geopolitical risk that we are living through.

As part of that, of course, we are surveilling markets and our approach to market abuse will be to look at the evidence in front of us. I cannot speak for what our US colleagues are doing. The point you make, or have shared about the *FT*—I have not seen that article—relates to market activity in the United States. Our fundamental focus is on resilience and functioning of markets. So far, notwithstanding the extraordinary volatility, that has been there.

Q531 Chair: I would have expected that answer from you, but how will you know? Can you reveal anything to us about how you will be watching to see whether there is any unusual trading in the UK markets?

Nikhil Rathi: There is unusual trading because of the nature of the environment we are in. Yesterday, for example, if I take the gilts market,



there was an extremely wide intraday range because of the speed of news that was coming through. These are unusual times. It is important to keep an overall sense of perspective because what is important is, ultimately, what happens in the medium term. That is what feeds through into mortgage rates and other things that impact the economy and households, including the medium-term outlook for energy prices.

We look at the transaction data we get and the reporting that we get. We look at the suspicious activity reports that we receive. One point I would make about the oil market—and there are oil futures that are traded in UK venues—is that this has always been, for decades, a distinct market with many state actors, including oil-producing nations and their supply companies, very active in this market around the world. The commodity traders who participate in this market are quite alert to the fact that this is not a traditional securities market like the equity market. It is a market of significant geopolitical significance with a different range of actors in it.

Q532 Chair: One of the other concerns that has been raised is about how fake news can be used to move markets. Is that something that is on your radar? If so, what are you doing about it?

Nikhil Rathi: Absolutely, and this is something that has been a concern for a number of years now. AI potentially makes this more of an issue. The speed with which fake news stories can get disseminated through social media can have an impact on markets, so absolutely. Where we see evidence that there has been fake news and that actors have sought to trade and make illicit profits on the back of that fake news, we would seek to act. I would say, though, that particularly given that the nature of some of this activity is intensely cross-border, it puts an onus on cross-border co-operation, and that can be under strain at moments like this.

Q533 Chair: Indeed, and there is some of the work we have talked to you about, about influencers and how challenging it has been for you to get them taken down by platforms. Is there anything you would say to the platforms about fake news and how they manage that?

Nikhil Rathi: We welcome the co-operation we have had with the platforms and we have seen some significant improvement, particularly when it comes to taking down financial promotions, but there is significantly more that can be done. One of our significant concerns is that, when inappropriate information is taken down or inappropriate promotions are taken down, they can quite quickly reappear. We have to play whack-a-mole and keep reporting this. We think that the technology is there that the platforms have to be able to get on top of that issue and prevent it. Some of the largest platforms do that. Not all of them do. That is something we need to be very vigilant about.

Chair: It is something we will keep raising with you.

Q534 John Glen: We have discussed this numerous times. You have said this morning that you keep these matters under review, that it is complicated,



that there are cross-jurisdictional issues. You are becoming specific on some of the issues with some of the platforms. Some people watching this would say that there are no teeth—nothing actually happens. Can you point to actions that the FCA has taken in this space that are real and practical and should give market actors real cause for recognising that you have teeth in this area?

Nikhil Rathi: Specifically in the area of influencers and financial promotions, then on market abuse more generally, a few years ago we would require the amendment or taking down of around 570 financial promotions. Using technology, we ramped that up dramatically to 20,000 a couple of years ago and 10,000 last year.

We have a number of significant prosecutions under way in relation to influencers. You may have seen reported that there have been guilty pleas in some of those cases. I cannot go into too much detail because the cases remain under reporting restrictions. When those cases are finalised, we will be able to say more. I do not think that you will find many conduct regulators around the world that have been as proactive in using their criminal powers to take on influencers as we have. We have led global weeks of action with our partner regulators around the world to identify problem cross-border activity.

On market abuse, we have had a fairly successful run of insider trading convictions and prosecutions in the last year. I think it is 10 cases. Mr Smart, who will be joining us for the financial crime session later, will be able to give you more of the detail there. That is concrete action.

Bringing it back to the Chair's question, on some of these global questions you are talking about a much more complicated environment, particularly in markets such as commodity markets. I repeat what I said before: you have many state-sponsored actors that are very active in those markets. It is not something that we, the FCA, on our own can seek to police.

Q535 Bobby Dean: I would like to ask for a quick update on motor finance. At the beginning of the month the FCA released a statement to say that it will publish the final rules in late March and that the timing of the publication will be outside market hours and it will confirm the date in advance. It is 24 March. I wondered whether you are going to give us a date today or when we can expect to see a date.

Nikhil Rathi: No final decisions have yet been taken, but we are anticipating updating on our approach to motor finance after markets close on Monday 30 March.

Q536 Bobby Dean: Great. It also said in the statement, "If we proceed with a scheme". Are you able to confirm today whether a scheme will be proceeded with, and if not, how consumers can expect to be compensated?



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Nikhil Rathi: We have consulted on a scheme. We consulted in the autumn. We extended the consultation period because, in particular, lenders wanted some more time. We are very grateful for the extensive feedback we have received. Much of it is conflicting feedback, because this is a dispute that has been running for some time.

We have said all the way along that we think it is more likely than not that we will go ahead with a scheme. As I said, a final decision has not been taken yet, but it will be taken in the coming days. We will set out that final decision on Monday.

Q537 **Bobby Dean:** Perfect. You just indicated that the consultation has been heavily engaged with, which I guess is a good thing. You said that there have been over 1,000 responses. Could you give us a sense of the weight of those responses from consumer groups versus law firms versus lenders and so on?

Nikhil Rathi: In terms of numbers, we have had, I think, around 1,000 individual consumers who have responded to us, sometimes in detail in the consultation and sometimes using our online survey. A number of consumer law firms have responded. I would estimate that it is around 10 or so. Then there are lender trade bodies and individual lenders.

It has been a fairly fulsome response. Within those responses, there has also been extensive economic analysis that has been presented to us. We have said that our consultation was exactly that—a consultation. We will consider all the evidence from all sides—and we have been doing that—that has been presented to us on all the issues, and then take a judgment in the round against our objectives.

We also set out very clearly in the consultation the cost of not bringing this to closure. We have seen that in previous situations, such as PPI. The counterfactual, as we call it, potentially is very expensive, could run for many years, does not provide certainty for consumers or timely compensation and does not provide certainty for the investors in motor finance firms and the confidence in that market functioning in the future. We have had feedback around that aspect as well.

Our message to consumers through this has been, “If you have been concerned, you should complain now.” That remains the message and I convey that again through this Committee. If you do that, you are more likely, should we go ahead, to get your compensation sooner.

Q538 **Bobby Dean:** Finally, we have spoken a bit in the past about some of the bad actors in this. There are claims management companies that you have been taking action against, I believe. There are also firms now popping up and aping the language of the FCA, saying that you do not necessarily need legal representation: “Pay us a fee and we will write you the letter to the FCA ourselves.” Can you give us an update more broadly on the action you are taking against these bad actors in the industry and Facebook advertisements and so on that they are implementing?



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Nikhil Rathi: In one of the previous sessions with the Treasury Committee, I was not able to speak publicly about an enforcement case that is now public, with the claims management company in that case seeking a judicial review of our decision to announce the fact that we had opened an investigation, so there is one live and public enforcement investigation.

I will not comment on any others at the moment, but you can imagine that we are looking at a number of these complaints very seriously. A number of claims management companies, in light of our engagement with them, have stopped taking on new customers until they can demonstrate to us that they can meet the standards that we expect of them in terms of honest and clear communication with customers.

We have put out joint communications with the Solicitors Regulation Authority, which deals with law firms, around issues like multiple representation, so sometimes individuals have signed up with multiple claims firms. Which one is going to take the lead for them? It is important that all actors have the customer's best interests at heart. We have put out communications around exit fees as well.

We are very mindful of the potential for fraud here. We will be saying more about the steps we would be taking if we go ahead with a scheme, on Monday.

Q539 **Dame Harriett Baldwin:** I would like to ask Mr Alder about the reforms to the Financial Ombudsman Service, because a lot of our constituents rely on the Financial Ombudsman Service as a way of getting redress without having to go through the court system. The Government have announced some fairly major reforms. I wondered, Mr Alder, whether you are concerned that that might reduce the independence of the Financial Ombudsman Service.

Ashley Alder: Thank you for the question. The proposal initially around potential subsidisation of the FOS, as in into the FCA, is no longer going to happen. We certainly had concerns around the independence of the FOS in that context.

Secondly, in relation to the reforms themselves, no, we don't think so. I think that the chair of the FOS himself was before the Committee a few days ago.

Dame Harriett Baldwin: He is the interim chair.

Chair: They are all interim.

Ashley Alder: I might come on to that, actually. He was very clear that independence should not be affected. One point that we are looking at carefully is a practical one around the criteria to dismiss a case early on. Some concern has been raised as to whether that would screen out, particularly, vulnerable complainants who may not really have the ability to put a claim together in a way that is sufficiently coherent at the



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beginning, for whatever reason. We are very alive to the trade-off between an efficient service and the criteria for a dismissal to make sure that it does not exclude those who should not be excluded.

Q540 Dame Harriett Baldwin: You mentioned that the subsidisation is not happening, but you are losing your ability to appoint the chair of the Financial Ombudsman Service, and that was not even a proposal in the original consultation the Government had. Does that not give you concerns? That is going to be a Government appointment.

Ashley Alder: This is the proposal that HMT appoints the chair. The current situation is that the FCA appoints, with Government approval. In relation to that, I think I was told about that sometime in December or thereabouts as a proposal.

The implications for the way in which the FCA operates vis-à-vis the FOS boil down to our role as an oversight body. We have a sub-committee of the board that oversees the FOS. Its purpose—it is based in statute—is to ensure that we are able and have the information necessary to enable us to take any steps necessary to ensure that the FOS is able to carry out its role. In extremis—and it would be in extremis—those steps could extend to a decision around the chair, particularly as we have an appointment power.

If the appointment power moves to the Government, that, in a sense, splits the question of oversight and accountability as between the FCA and the Government. From a practical perspective, we would need to work with the Government very closely to work out what happens if we feel that steps need to be taken to ensure that the FOS can carry out its role, and if that brings into question the chair.

Q541 Dame Harriett Baldwin: Would you support the proposals that this Committee put forward for us to have a veto power over the appointment of the chair?

Ashley Alder: I don't really have any view on that. That is a Committee proposal, as opposed to an FCA or Government proposal, so I would leave that with you.

Q542 Chair: It strikes at the heart of independence. You have been a strong champion of that, Mr Alder.

Ashley Alder: I am, absolutely, on FOS independence. Nevertheless, I would leave that with the Committee.

Q543 Chair: The point is that everything has to be in case there is a mad, bad or dangerous Government. That is where we think we could play a role in being a brake on a mad, bad or dangerous Government. In most cases, one would imagine, it is not a power we would have to use.

Ashley Alder: By the same token, there is the question of us acting, in extremis, in relation to a chair who we currently appoint and who in the



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future may be appointed by the Government. It is effectively a similar point around independence and the relevance of oversight.

Q544 Dame Harriett Baldwin: I am going to move on to some operational questions, so perhaps, Ms Pritchard, these will be for you. Under these proposed reforms, the Financial Ombudsman Service will have to adhere much more closely to FCA rules. That is obviously going to set up some sort of operational challenges. Are you currently resourced to be able to take on that responsibility of working with the FOS on the interpretation of your rules?

Sarah Pritchard: As you say, the referral mechanism, which is proposed to be placed in statute, will require us to work collaboratively with the FOS and take on referrals, responding within 30 days where we are able to, on matters where there is a need for regulatory clarification. We are already operating under an MOU that sets out the same principles, so we are able to test some of those ways of working currently that will help inform legislation. It is important to reflect that we think that the referral power needs to be used in those cases where there needs to be greater clarification about what the rules mean in a particular circumstance, but it should not be a default appeal mechanism to be used by either complainants or firms on a case-by-case basis.

We are giving careful consideration, at the FCA end, to how we can set ourselves up for success. At its heart, the referral mechanism and the whole package of redress reforms is designed to ensure that consumers can get fast, fair, timely compensation that is independent, as Mr Alder has mentioned. We want to make sure that that works in practice. We will need to give that careful thought informed by, as I said, the ways of operating that we have already established under the MOU at present.

Q545 Dame Harriett Baldwin: Are you ready as of now, or will you have to make changes in your organisation to be ready?

Sarah Pritchard: We are already, as I said, operating under a model where there is that close co-operation between the Financial Ombudsman Service and ourselves. We will need to keep the volume of how frequently the referral mechanism is used under review. We are very alert. Our strategic objective is to make sure that that referral mechanism works well in practice, so we will keep that under review.

I do not have any major concerns at the moment. I would if the referral mechanism became a default appeals mechanism. That is where, as the package has been developed, we have been clear that it is important that this is a referral mechanism between the FOS and ourselves, as opposed to an appeal mechanism that can be instigated by either complainants or firms.

Q546 Dame Harriett Baldwin: Will there be transparency around that discussion for the wider public and people like us who follow your work closely?



Sarah Pritchard: We already give some transparency around the areas that we are working on closely together, through the wider implications framework, which sets out the categories of cases that we are in close co-operation on. Motor finance is one example of something that is reflected under the wider implications framework.

You will have seen, through the package of reforms that have been announced, a new proposal for regular thematic reports, which will be joint between the Financial Ombudsman and us. Those will sit alongside the individual determinations that the FOS will continue to publish, which will be really quite significant in terms of giving an opportunity to share what we are seeing, what this might mean, broader implications and wider learnings for firms. If I go back to the fact that this is designed to enable earlier identification of potential mass redress events and fast compensation for consumers, that transparency through those thematic reports should help.

Q547 **Dame Harriett Baldwin:** I have one last question, if I may. Would the motor finance redress scheme and the issue around that have got through under these new rules that you are implementing?

Sarah Pritchard: Absolutely, I think that this would have been the subject, on a go-forwards basis, of referrals between the Financial Ombudsman Service and us. Some of the changes that are proposed around the legal test for redress and how quickly we, as the FCA, can act—Nikhil might want to come in—should enable, in those circumstances, earlier identification, swifter action and earlier ability to make decisions around any need to perhaps pause complaints for a broader investigation.

Q548 **Dame Siobhain McDonagh:** The Treasury has taken a power to exclude certain FCA rules from the ombudsman's adapted fair and reasonable test, including potentially high-level principles such as the consumer duty. Given that the consumer duty is now central to your regulatory approach, does excluding it from the ombudsman's decision risk undermining its effectiveness?

Sarah Pritchard: I have seen the concerns expressed around what the intent is behind that part of the Government response to the package of redress reforms. My understanding is that that is in order to give FOS discretion to act by itself, without the need to refer matters onwards through the referral mechanism to us, if it is capable of making a determination and there are not any associated FCA rules. The intent behind it is to give FOS more discretion to make decisions, rather than to take away discretion to make decisions.

We think it is really important that consumer duty cases, alongside other breaches of FCA rules, are capable of referral through to ourselves where the criteria are met. We think that that is important in terms of consistent outcomes for consumers and firms. So, we support consumer duty cases being referred to us where those criteria are met. My understanding is



that that is not to prevent FOS from making determinations about fair and reasonable. It is simply to enable FOS to have greater discretion to make decisions on a fair and reasonable test without a referral mechanism where that is the case.

Q549 Dame Siobhain McDonagh: That brings us back to the concern about vulnerable complainants and complainants feeling that there is a real possibility of redress against some pretty big financial organisations, which can seem like David and Goliath, can it not? Have you been consulted on how this power would be used in practice, and would you support the consumer duty being excluded from ombudsman's rulings?

Ashley Alder: My short answer to that is no, I would not support the consumer duty being excluded. We have proceeded on the assumption that the consumer duty, among other aspects of what we do, such as buy now, pay later or targeted support and similar, would be all in scope. Sarah has explained a paragraph in the documentation that may be hard to read but I think has been very clear that this is not a carve-out.

Sarah Pritchard: As I said, we want to make sure that consumer duty cases are capable of determination by the FOS. On the vulnerable consumers side of things it is really important that we are monitoring for any impact on vulnerable consumers. Alongside this but separate from the work around modernising the redress system, we are improving our complaints data collection and the requirements on firms to report complaints by vulnerable consumers. Previously, firms only had to report complaints that related to vulnerability on a going-forwards basis.

This is a change that we have already made. Firms will need to report to us both claims that relate to vulnerability and all claims from vulnerable consumers. That shows that we want to make sure that we have the right oversight and data mechanisms to understand what is happening in terms of the complaints system, because we want it to work well for consumers.

Q550 John Glen: I want to turn to the issue of cost-benefit analysis. Most people understand that you have to make difficult trade-offs between consumer groups and the financial services industry. The Chair indeed wrote to the *FT* recently, talking about the balance needed in that. The Financial Services and Markets Act 2023 set up the cost-benefit analysis as a way of trying to measure and articulate some of those trade-offs. I would be grateful if you could explain how you see the work of the cost-benefit analysis panel and how it practically influences some of the trade-off decisions you have to make. Could I ask Mr Rathie to respond?

Nikhil Rathie: We are very grateful for the work of the panel. We are lucky to have very experienced members on the panel. In this last financial year—and we are nearly at the end of it—I think 13 out of 32 of our CBAs have been assessed by the panel, subject to the various materiality thresholds that we have. The panel provides useful scrutiny of our evidence and assumptions. It sets out its recommendations. When we



put out our proposals and final rules, we explain how we have responded to its recommendations. It has shown, as we have seen on motor finance, the ability to work at pace as well.

Overall, it helps us sharpen the analytical basis for this work. Cost-benefit analysis is always one component of the overall regulatory judgments that the FCA and the FCA board have to make. There are always assumptions and estimates. It is not a perfect science, particularly when you are looking at potential impacts many years from now. That is well understood by the panel as well.

Q551 John Glen: In the panel's report last year, it had two specific proposals to align to international best practice: first, that you should publish the cost-benefit analysis of alternative policy options to show why the proposed option was chosen; and secondly, that you publish all proposed policy interventions, whether rules or guidance, to look at the cumulative effect.

In previous sessions, Mr Rathi, you have said that sometimes, given this imperative from Chancellors and Governments for growth, to make some of these trade-off decisions, you are seeking political cover to take some of those decisions. Surely, if you adopted those two recommendations, you would be in a position where you could actually point to the cumulative effect of all these regulations and decisions and therefore demonstrate why you need to make alternative pathways.

Why have you not adopted those two recommendations from the last annual report? The panel will have another annual report in a few months' time. Surely it would help you to make the case for some of the market competitiveness angles that you need to pursue to achieve the Chancellor's objectives.

Nikhil Rathi: We are always looking at how we can improve the way we do cost-benefit analysis. The legislation sets out the boundaries of CBA and the thresholds and that has been the anchor for our work. We would say that we are largely at the forefront of international best practice. If you look at the scale of regulatory modernisation going on in jurisdictions around the world—just look at what is going on in the US and the range of things that are happening there or in other markets around the world—I do not think that you will find CBAs used in the way that we deploy them here. I have queried that particular point with the panel—in this moment of extraordinary regulatory change around the world, what is meant by international best practice?

Q552 John Glen: Quickly on that, we both know that it is us and the US. They are our major competitor—maybe Singapore also, but that is on a different scale. Of course we are going to be ahead of all the other jurisdictions, but what we are really talking about here is how we keep London competitive against the US and New York. Would not these things help you to go further?



Nikhil Rathi: On the point around the two specifics on the alternative policies, and you will be familiar with this from your time as a Minister, the policymaking process is fluid and dynamic. At an early stage many different ideas can be on the table that don't get anywhere near finalisation.

The process of cost-benefit analysis, in and of itself, requires us to go out and collect data. Where do we get the data from to do the analysis? As you will also know, one of the biggest pain points that gets reported to us in our practitioner surveys is the cost of data collection and ad hoc data collections that are not planned. If we went out and sought to do a detailed CBA on every alternative policy that we are not actually going to pursue, that would in itself create a burden. We do seek to do sensitivity analysis. You see that in the motor finance consultation. We did a CBA on the central proposal that we put out, but there was sensitivity analysis around other aspects to it.

Likewise, on extending the role of CBA including into guidance, one of the ones that has been mentioned, for example, is enforcement transparency—should we have done a CBA on that? We did not think that was amenable to it because the number of cases was particularly low and it was not necessarily amenable to quantitative analysis of benefit. It was a question of transparency in the functioning of the market. We do go beyond the legislation and for significant pieces of guidance we have done CBAs.

Q553 **Catherine West:** My questions are on SMEs and lending. Last week there was a call launched by you for input on what the FCA can do to support access to finance for SMEs. What prompted that?

Sarah Pritchard: As you know, our statutory remit on SMEs is quite limited, but as you saw last week, we announced that we would have a look at whether there was any regulatory role that we could play to help SMEs access finance and opportunities and overcome barriers. That is building on work that we announced at the end of last year around some of our first proposals for open finance, where we have said clearly that we want SME lending to be one of the early use cases for SME finance. We have seen, through having run some tech sprints towards the end of last year, some of the real opportunities that exist, particularly using smart data to help SMEs in lending decisions and in financial management.

The reason behind the announcement last week is to say that we play a role in the regulatory system, our regulatory remit is limited, but we know that, through innovation, there can be real benefits—we have seen that through the tech sprints—and we are also wanting to prioritise for open finance use cases. That lay behind it. We are inviting views from anybody who wants to reflect those views. We will be convening stakeholders together with roundtables before we publish our findings towards the end of the year.



Q554 **Catherine West:** Is there an endgame in terms of what the FCA would like to achieve, or is it quite open-ended?

Sarah Pritchard: It is open-ended in terms of the way that we are thinking about this, but we will conclude and publish some outputs towards the end of the year. It is clear, and we have always said in our perimeter reports, which we use to remind and explain what sits within our perimeter and what is outside our perimeter, that SME finance and lending has been within our perimeter report. It continues to be within our perimeter report because we also think it is important that there is enough regulatory certainty and understanding of what we are directly able to contribute and what we cannot.

Q555 **Catherine West:** One of the things the Chancellor wanted to do straight after the general election was to remove some of the barriers for business. Do you think that the FCA's own rules could be a key barrier to greater SME access to finance?

Sarah Pritchard: That is one of the things we are looking at through the call. Are there barriers? Are there opportunities? We have seen the opportunity side through our innovation services. On the barriers, our remit applies to SME lending below £25,000. Some of the Consumer Credit Act provisions are quite detailed and quite outdated in many cases. We have heard that sometimes there is a perception that those can get in the way. I hope that we surface up, through the work that we are doing at the moment, where those barriers may exist.

Q556 **Catherine West:** I do not know whether Mr Alder wants to come in.

Ashley Alder: Sarah captured it. One really important point she has mentioned is that SME lending is not FCA regulated other than for basically micro-lending or to micro-firms. There is the CCA Act aspect of it. There is the open banking aspect of it. There is a perceived gap. The industry would say that the demand is not there necessarily. We have seen that, I think, from maybe UK Finance. Ultimately, given that there is a set of concerns about SMEs and their ability to scale, it is quite right that we go out there and ask these questions. Whether that leads to legislative reform is a matter for Parliament. The question whether SME lending should come further into the FCA perimeter is one of those questions that should be asked.

Q557 **Chris Coghlan:** Mr Rathi, to what extent, if at all, has the FCA been involved in the separate investigations into Peter Mandelson and Andrew Mountbatten-Windsor?

Nikhil Rathi: As I understand it, there are live police investigations, so I would not comment on those.

Q558 **Chris Coghlan:** Are cases of alleged market abuse involving high-profile individuals or politicians especially difficult for the FCA to deal with?

Nikhil Rathi: We implement and enforce the law. The market abuse regulation applies to high-profile individuals and high-profile institutions



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as much as it does to others who are not in the public eye. We would always investigate where our thresholds are met and we consider there is a public interest in doing so.

Q559 **Chair:** Is that without fear or favour to anyone?

Nikhil Rathi: I think you have seen that, in terms of the cases we have, both in the past and that are live right now.

Q560 **Chris Coghlan:** Have the recent allegations concerning Peter Mandelson and Andrew Mountbatten-Windsor changed in any way the FCA's approach to tackling market abuse?

Nikhil Rathi: Again, I would not comment on a live investigation. Our approach on market abuse is public and that remains the position.

Q561 **Chris Coghlan:** There were various disclosures of market-sensitive information ahead of the 2025 Budget, by both the OBR and the Government. In each case, what role did or will the FCA play in helping to establish whether that information was abused for gain?

Nikhil Rathi: The market abuse regime has two aspects. One is disclosure inappropriately and unlawfully of inside information. Secondly, whether such information was used for personal or commercial gain. In the case of the Budget leaks—I said this at the last Committee—we have not identified any evidence to suggest that there was anybody trading for personal gain on the back of that information.

There is the question, which I believe you have engaged with the Treasury on, around the disclosure of information. A report has been published by the Treasury and we are engaging with the Treasury and Cabinet Office on it. We separately engaged with the OBR on its unauthorised disclosure. We have had very good co-operation from it.

Q562 **Chair:** You were not consulted while the Treasury was doing the report or the investigation.

Nikhil Rathi: We spoke to the Treasury before it started. It has published its report and we are engaging with the Treasury and the Cabinet Office now on that report.

Q563 **Chair:** They spoke to you before and told you at the end but you were not involved?

Nikhil Rathi: Not during, no.

Q564 **Chris Coghlan:** Should the FCA have played a larger role, given its statutory role? As the Chair said, were you surprised that the Bank of England appeared in the Treasury's leak inquiry report but not the FCA?

Nikhil Rathi: I think it is important that all public bodies recognise that they are bound by the market abuse regulation. That is the reason why we have guidance for all public bodies. We will look at updating that guidance. As I say, we are now engaging with the Treasury and the



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Cabinet Office and would expect them to comply with the rules that apply to everybody.

Q565 Dame Siobhain McDonagh: The All-Party Parliamentary Group on Investment Fraud and Fairer Financial Services recently published a report arguing that financial scandals over the past two decades have followed a recurring pattern: early warnings missed, slow regulatory intervention, significant consumer harm and only limited reform. Do you accept that this points to a systemic weakness in how financial regulation operates? Would the FCA support a wider parliamentary review of the regulatory framework?

Nikhil Rathi: Some similar points were made by the APPG in a report from 18 months to a couple of years ago. It is always of concern to us when the law is broken and there is consumer harm as a result. We have seen cases of that over a number of years, a prominent one being LCF. Certainly when I became chief executive of the FCA, we set out, following the review there, a range of changes that we have made and undertaken. There continue to be a number of historic cases, working their way through different parts of the complaints and legal system. We continue to learn the lessons, but I would not accept that lessons have not been learned.

If you look at the outcome data from our last strategy, one thing we set out in 2021 is that we wanted to bring the FSCS levy down, because that is one signal of the harm in the market—the level of compensation that is going through the Financial Services Compensation Scheme. In 2020-21 there were estimates as high as £1 billion for that levy and compensation amount. Last year it was at a 10-year low. You can never eliminate all harm in the system, but we are seeing that the amount that is going through in compensation to pay for that harm, certainly as far as the FSCS is concerned, has come down to a 10-year low in the last couple of years. That includes a very significant reduction in the amount of compensation being paid for in relation to rogue pension transfers and rogue pension advice, which was a significant driver of the harm in earlier years.

This point around system is why I make the point here, and with the Government, around helping us understand what the risk tolerance is in Government and Parliament, so that we can calibrate our regulation appropriately. That does not take away anything from our need to be operationally effective, to be assertive, to move quickly and to move fast. That is not why I make that point. If I take, for example, pension freedoms as one case study, it was not something that my predecessors at the FCA or FSA were particularly engaged in. It arrived with a few weeks' notice. It was a dramatic shift in the regulatory landscape. The advice industry was not ready.

You talked about CBA earlier, Mr Glen. There was not, I do not think, a particularly large CBA on the number of transfers that would be made, but that was legislation passed by the Government at the time. One



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significant issue that has arisen after that was the Time to Choose exercise in the British Steel pension scheme. The Chair, when chair of the PAC, looked at that. Again, not a huge amount of CBA or analysis was done at the time.

We then end up, when we are trying to supervise this, trying to understand what the risk appetite around this is and how we calibrate the regulation when there is a legal right to transfer and that has been the stated intention of Parliament, and the stated intention of Parliament was to make it as easy as possible to do so, but there were rogues operating in the system. How hard do we go against them at any moment in time? That is the debate we want to have on all of this, whether it is pension transfer, mortgages or crypto—all those issues. If we can get that degree of consensus here, that enables us to have a sounder system.

Q566 **Chair:** That sounds like a challenge to Ministers to be clear about where the risk should lie.

Nikhil Rathi: I have been really public about that, so you know where I stand on it.

Q567 **Chair:** When we talk about financial crime, in your own strategic priority you say that you will be succeeding if you see slower growth in financial crime. Is that an acknowledgment that you are fighting a tide that is pushing very hard?

Nikhil Rathi: I wish we could come to you with metrics that are stronger than that, but particularly on economic crime, we sit within the Government's economic crime plan and we have strands of it, so our metrics need to be aligned with what the overall system-wide metrics are.

Something like 40% of all crime that is reported now relates to fraud. Only around 1% of police resources are devoted to it. We are definitely stepping up and are taking many more cases, particularly on the complex side, when the police, or indeed the SFO, are not able to do so. But I do not think that we could come here and promise you, given the speed with which technology moves and the global scale of some of these groups, that we could, on our own, bring it down.

Q568 **Chair:** Do you think you have enough resource and the right resources in-house to combat it? As you say, technology is changing very fast.

Nikhil Rathi: I certainly think we have improved our capabilities, including on data and technology. That is how we need to fight this scourge—by using intelligence data in a much more joined-up way with our partners than we have done previously.

Q569 **Chair:** Do you liaise with partners on who has what skills? There are obviously a lot of potential bodies in this, such as the National Crime Agency.



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Nikhil Rathi: Absolutely, yes. We liaise with the National Crime Agency and the police.

Q570 **Chair:** Is that the City of London Police?

Nikhil Rathi: The City of London is in the lead on some of this. We are a founding member of the National Economic Crime Centre. On pension scams, we liaise with the Pensions Regulator. On sanctions, we liaise with the Treasury, which is in the lead on that. We end up being at the centre of many of these things.

Q571 **Chair:** If you are at the centre of that web or in that web, what is the most difference that you think the FCA can make on this issue? What is your unique thing you bring to the table?

Nikhil Rathi: The FCA can provide system leadership. We can convene the financial system, which is always going to be involved one way or another, to make sure that the first line of defence, as people describe, is working effectively, and that we are holding their feet to the fire and working collaboratively with them to make sure that that happens. We can make sure that intelligence and data sharing is as fulsome as it can be and call out where there may be issues in that.

We have called out, for example on the Online Safety Act, that there could still be some improvements there. We talked about big tech earlier. There could be improvements when you look at the typology of fraud. There could be improvements in sharing between the communications sector and the financial sector, because sometimes you can start to see a fraud emerging when mass SMSs are being sent out or things like that. How quickly can we get that information shared across the industry, into the financial services industry, so you can stop this before consumers lose their money? We can call out those kinds of issues as well.

We are probably the most prolific prosecutor now on financial crime. You can look at the data. On resources, of course if we had more resources, we would be able to do more, but we have to make choices about our resources, given the range of things you ask us to do.

Q572 **Chair:** Absolutely, yes. Before we move on, when Mr Coghlan and I were talking to you about the Treasury investigation into leaks, you said—and you said it to us at a previous session—you were consulted or informed beforehand and at the end of that. Are you happy with that approach? Do you think you should have been consulted in more detail during that inquiry, given your special responsibility over markets?

Nikhil Rathi: Every institution has its approach in engaging with us. As I said, the OBR—and we said it publicly—was very prompt and timely. It shared with us all the way through how it was going about things. The Government have a different approach to the way they look at leaks. We are now engaged with the Treasury and Cabinet Office and I am pleased that that engagement is happening.



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Q573 **Chair:** Given that they spoke to you beforehand and then at the end, did you make any representations to them that you should have perhaps been a bit more involved and you could have contributed usefully to the inquiry?

Nikhil Rathi: We have certainly been in contact with the Treasury and explained to it the kind of information we need to understand.

Q574 **Chair:** Was that after the report or before?

Nikhil Rathi: It was before, during and after.

Q575 **Chair:** You were speaking to them during the inquiry, even though they were not actively engaging with you.

Nikhil Rathi: We were in contact with them on these issues, absolutely.

Q576 **Chair:** You say "in contact". Give us an example of what that contact was.

Nikhil Rathi: There will be contact with the senior leadership team in the Treasury and their offices to understand what is happening and what work we are doing.

Q577 **Chair:** You were proactively contacting them.

Nikhil Rathi: We have proactively been in touch with them, yes.

Q578 **Chair:** Were they proactively contacting you?

Nikhil Rathi: We were proactively contacting them.

Chair: Thank you very much indeed. We are going to now pause the session and move on to our second panel. Can I thank Sarah Pritchard and Ashley Alder, who may not be leaving the room but are leaving the panel? Thank you very much indeed.

Examination of witnesses

Witnesses: Nikhil Rathi, Jessica Rusu and Steve Smart.

Chair: Welcome back to the Treasury Select Committee on Tuesday 24 March 2026. We are continuing our session with the Financial Conduct Authority. This is one of our regular sessions with it to talk about specific issues. On this panel, we are focusing specifically on financial crime. I am delighted to welcome back Nikhil Rathi, the chief executive of the Financial Conduct Authority. He is joined by Jessica Rusu, who is the chief data, information, and intelligence officer at the FCA, and Steve Smart, who is the joint executive director for enforcement and market oversight at the FCA. Thank you very much for joining us.

Q579 **Bobby Dean:** We started to get into financial crime in a previous session. To begin with, can we focus on investment fraud? Mr Rathi, could you give us an oversight of investment fraud versus authorised push



payments fraud and other types of financial crime? What is the weighting between the caseload that you deal with?

Nikhil Rathi: At the moment, APP fraud is led by the PSR in terms of the work there. As far as the FCA is concerned, it will be more towards investment fraud, although, on APP fraud, we seek to make sure that regulated payment firms and regulated financial institutions are fulfilling their obligations. As and when the legislation passes, that responsibility will fall to us. The work we do on investment fraud is wide-ranging, from supporting education to getting ahead of promotions, tackling scams and then the harder-end enforcement.

Q580 **Bobby Dean:** I appreciate that there is currently a division. In terms of scale of the different types of crime, is investment fraud a bigger problem than APP, or are they about the same? Do they have different weightings? Do you know?

Nikhil Rathi: Investment fraud would be higher because it is much more heterogeneous and it happens both within and outside the regulatory perimeter. One challenge is that a lot of this is unauthorised business. APP fraud has been a challenge. The work the PSR has done, notwithstanding how much fire it got from many parts of the industry for the work it did, has been productive in helping to bring some of the rising APP fraud under control. That is manifested in the data. I know it keeps the regime under review and we will be doing a review of that, one year in, shortly.

Q581 **Bobby Dean:** Mr Smart, you have spoken about the FCA taking on its role as a criminal prosecutor, I suppose, in pursuing these crimes more than perhaps any other financial regulator in the world. Do you think that the rest of Government are doing enough to support you in that?

Steve Smart: Across the financial crime threats, it is partnership and teamwork that really matters. We are a key member of the team, but Government are also a very important member of the team. It has been helpful over the last few years to have a Government who have prioritised financial crime. You will have seen the launch of the fraud strategy a couple of weeks ago and the Global Fraud Summit last week. That helps the other partners in the team, so us, industry, other law enforcement agencies and other regulators. Having a Government who prioritise this is a good thing for us.

The problem we have—Nikhil was touching on it there with investment fraud and APP fraud—is that we are in a time where a lot of the financial crime threats are going in the wrong direction or increasing in the size of the threat. If you look at the National Crime Agency's recently released national strategic assessment, the areas that we particularly focus on—investment fraud and money laundering—are two threats that are seen as increasing at the moment.

Q582 **Bobby Dean:** These are very often originating on online platforms. We spoke about that in the previous session. There were reports that there



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was a lot of widespread disappointment about the fraud strategy for not introducing financial incentives on big tech firms to co-operate on this. Was that something that you were expecting to see happen? Do you think that will be the way to get them to act?

Steve Smart: We were engaged with the Home Office in the creation of the national fraud strategy. We have pushed very hard on all members of the team being able to step up and take a more proactive stance in stopping fraud, including big tech in particular. We spoke about this a little bit the last time I was here when we talked about finfluencers. Last time we talked about a couple of different platforms. We remain focused on those platforms.

Our issue last time when we were speaking about this was around the response times in taking things down. With your assistance and some good constructive engagement with Meta, which was the platform we were talking about, we have seen a real improvement in that. We now get take-downs within about 24 hours.

The real problem, and the thing that I hope the fraud strategy, alongside the OSA, will help us fix, is that we really need the tech companies to move into a more proactive space. As an organisation, we have a team that spends a lot of time looking for frauds and scams online. We are successful in finding them. We are then talking to the firms about taking them down. We take forward some for enforcement action. Nikhil has already mentioned the charges and some convictions that we have had with finfluencers, but we cannot possibly hope to do that ourselves.

Q583 **Bobby Dean:** That is kind of my point. I do not doubt the FCA's focus and determination on this. I accept that it is leading international efforts in this area. It is the big tech companies we want to be more proactive and to respond, but they have not been doing that, despite your requests, for some time. You have to keep pointing out to them that these accounts are popping back up in different forms when they have the technology, ability and, frankly, the money to be able to tackle it themselves. Is not a financial incentive the only way we are going to get the big tech companies to act?

Steve Smart: There is a lot of engagement going on with the tech companies at the moment. They were all out in Vienna last week for the Global Fraud Summit. We are having the right sorts of conversations with them. I am hopeful that we can push them into that space to be looking at the proactive approach. I am not sure that it is our role to suggest the incentives for them. From my perspective, the incentive should be about stopping the fraud and identifying the criminal and the crime.

Q584 **Bobby Dean:** Could I ask the question in a slightly different way, then? What was in the fraud strategy that was recently published that gives you confidence that the attitude of big tech companies is going to change?

Steve Smart: There is the call in the fraud strategy for all partners to step up and do that. I saw Lord Hanson a couple of weeks ago around



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some of this. We are working with colleagues in the Home Office and tech companies to explore what more we think they can do in that space.

Q585 John Grady: Mr Smart, I fear that this could be a long morning for you. The FCA published a cross-firm review of efforts to combat romance fraud. I have two questions. I will ask one at a time. The first one is about what the most common forms of APP fraud are now. Is romance fraud a growing one?

Steve Smart: Romance fraud is definitely a growing concern. It is growing in terms of the numbers. It is a particular concern because of the impact it has on people, not just the financial impact, and often when they are at a low ebb in their life.

Nikhil Rathi: I have the data here. Around one in three UK adults have been targeted by APP fraud in the past year. Purchase fraud accounts for 60% of scam victims, so romance fraud has not yet overtaken, nor is anywhere near overtaking, the main purchase fraud.

Q586 Chair: Did you say one in three adults had been approached or had actually fallen victim?

Nikhil Rathi: They had been targeted, but not actually been a victim. 88%, so around £173 million, of money lost to in-scope APP scams has been reimbursed and 90% by volume of in-scope claims has been reimbursed, which is the point I was making earlier. We think that the PSR has really made headway. To Mr Dean's points around financial liability, I would contend that the 50/50 split that the PSR put in place between the sending and receiving banks made a difference and financial liability does make a difference. Successive Governments have been aware of the representations they have had from industry and have not gone down that route.

Q587 John Grady: Having carried out that review of romance fraud, do you think firms are doing enough to combat APP fraud at the moment, Mr Smart?

Steve Smart: Nikhil just quoted the figures. They are doing a lot. The number of cases in the first year of the reimbursement programme came down by 15%. That is a significant reduction, and one of the few areas in fraud where we saw it come down. The review showed that there was some good practice and there were some gaps in some areas. That was the whole point of the review and we will continue working with firms to strengthen some of that.

Q588 John Grady: Finally, to all of us around this table and those who are listening in, what advice would you give for us to avoid APP fraud?

Steve Smart: It is to check—check everything. We used to have a phrase in one of my previous organisations, which was ABC—"Accept nothing; believe nothing; check everything."



If you are being offered examples to invest, if you are being offered things that look like far too good a deal, check it. We have just launched the Firm Checker, which is a version of our register that is so much easier for consumers to access. Since launch we have seen a very strong increase in the number of people doing that. That is a good step forward for us.

Q589 Dame Siobhain McDonagh: Could I follow up on John's questions about romance fraud and the impact it has on individuals apart from the money side of things? How far is that exacerbated by the closure of bank counters and face-to-face banking services? In my experience, when somebody went along to make a payment at the local Barclays and the lady behind the counter said to the individual, "Please don't do that because you will not get your money back," or, "This is wrong," that was a much easier way for people to manage.

Steve Smart: Undoubtedly, technology and the amount of business that takes place these days online has enabled growth in some frauds, romance fraud being one of them, but the banks have done a lot to put those checks in place online now, again post the reimbursement scheme coming into place. Every time you try to transfer money to a new individual, you are getting asked a series of questions, which are the right questions to be asked. It is making you think in the right way about it.

Dame Siobhain McDonagh: I am sure a familiar face and a kind word might have more impact on that.

Chair: You have made the point, Dame Siobhain.

Q590 Bobby Dean: On anti-money laundering, the FCA is taking on new supervision responsibilities, increasing the number of firms that it is going to supervise by tens of thousands. There has been some kickback by other trade bodies about this. Is this just self-interest because they can no longer take the fees from doing the supervision work themselves, or are there problems to watch out for?

Steve Smart: Some of the professional bodies that we are talking to, which we have been regulating for a number of years through our OPBAS function, have some genuine concerns around how this will work. We are working very closely with them. They have some experience, both in the professional bodies that were the former supervisory bodies and the firms, that we will need to learn from. I am very open to those conversations. We have a whole programme of engagements with them over the next few months to understand some of those concerns.

Q591 Bobby Dean: Could you elaborate what some of those concerns are?

Steve Smart: They have a concern around how we ensure that there is not over-regulation of the sectors that we are going into, having two regulators. We are very clear that a number of the legal and accountancy



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bodies have the conduct regulation responsibility and our responsibility will only be in the AML space.

There is an uncertainty that they have as to how we will look to do this. Although this was not something that we pushed for, as the financial crime lead for the organisation, I can see some real benefit for us in being able to bring in those sectors with the financial services sector, as we do what we are really focused on doing for money laundering, which is about working with the sectors to identify crime and the criminal.

Q592 Bobby Dean: You just said that it was not something you pushed for. Where did the drive come from, then? I understand that the argument goes that this was effectively a loophole for people in this space. The fact that they could play different regulators off each other when they were not communicating properly was an inefficiency in the system. You did not necessarily feel that the FCA should be the one to step up and take on this role? You seemed to indicate that somebody else was pushing that.

Steve Smart: The Treasury was looking at this for a period of time as to what would be a more effective way of supervising the wider money laundering agencies covered by the money laundering regulations.

I absolutely can see the rationale in doing this because it will bring some consistency to it. The thing that excites me about it is the opportunity to take the information that we see in the financial services sector, put it with the information that we see in the legal and accountancy sectors and then use that information, working with those sectors, to find the bad actors and to find the harm in it.

We have done a lot of work with colleagues in policing, the National Crime Agency and the National Economic Crime Centre around professional enablers of financial crime. This will help us take a step forward in how we identify those professional enablers and disrupt them.

Q593 John Glen: As the Minister years ago, I remember meeting up with OPBAS. I think there were 20 regulators underneath them. You are going to move from having 16,000 to 76,000, so we are told. There is quite a big family of interests here. You could have a public school that has to take payment for school fees from a Russian oligarch or where there is some potential risk, or you could have a small-town solicitor in the north-west dealing with somebody buying a mansion. How can you convince us that you will be accessible, responsive and proportionate across that range of risks?

At the moment, basically, you have industry bodies that know those communities better. What would you say about the resource challenge over such an increase in the number of entities that you are going to have to regulate and the familiarity and proportionality? Otherwise, you will do what Mr Rathi said earlier: you will just create lots of form-filling and another set of burdens for the FCA.



Steve Smart: The core answer to that is that we will look to be intelligence-led through data and technology, which is what we are looking to do with our money laundering work on our current population. It is about how we use the very large amounts of information that we have access to and how we bring that together with other organisations' datasets. We are doing a lot now with more adverse datasets, working with policing and the NCA, helping us to spot those areas.

The trick for us is, "How do we proactively find the harm as quickly as possible and disrupt it?" I am sure my colleague Jess will be able to say something about some of the technology that we are looking to employ in that space to help us do it. We will look to do exactly the same with these sectors.

Q594 **John Glen:** You would recognise that there are risks and there are areas of very low risk as well. There is a real wisdom in zoning in on areas of vulnerability to minimise the overall burden.

Steve Smart: Yes, absolutely. That is where you get proportionate in terms of how you go looking for that and how you find it.

Nikhil Rathi: This is the central point that I would make around all of these regulatory changes. I have been on record for a number of years around perimeter changes and structure changes. We generally do not push for them at the FCA. If Parliament decides and the Treasury decides, we absolutely will implement it faithfully, but anything that we do will need to be in partnership with a range of other bodies.

What is really important is to get the data and intelligence-sharing arrangements right. That is where we really need your support as you are legislating on these changes. Whether that is on the question you asked at the start around oil trading and getting transaction reporting data through to supervising these tens of thousands of additional firms, we will need data to do the job. If we get that data and it is high quality, that enables us to be very proportionate and targeted in how we go about our work.

We cannot get away from the fact that, when we look at the money laundering threats in the United Kingdom, professional enablers are one of the biggest sources of risk and a problem in that market right now. That is bad for the integrity of UK markets and bad for our reputation.

Q595 **Yuan Yang:** On the topic of anti-money laundering, it has been reported recently that the FCA has awarded Palantir a contract for processing data related to anti-money laundering objectives. The *Guardian* has reported that there has been an official announcement stating that Palantir will work across all FCA datasets. Is that the case?

Jessica Rusu: No, that is not the case. Just to step back for a moment, we were talking about the AML and the perimeter changes. The investments that we have made in our intelligence infrastructure mean it is processing over 53 million intelligence records per day. That enables us



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to spot and stop harm much quicker using advanced analytics methods. As we are continuing to push the boundaries of what we can do to capture and identify fraud sooner, it is important that we do not rest on our laurels but continue to be proactive.

We did a public procurement process. As you know, we follow procurement law. It is unknown to us who will be the successful winner of any procurement outcome before it finalises. Palantir was the successful bidder of this proof of concept. I will assure you, however, that the CLOUD Act does not apply. We will maintain the data controller at all times. There will not be any intelligence shared.

Nikhil Rath: It is a 12-week proof of concept, I believe.

Jessica Rusu: That is right.

Q596 **Yuan Yang:** It is not correct, as reported, that Palantir has access to all FCA datasets. Which datasets does it have access to?

Jessica Rusu: It will only have access to the records that we push into the proof-of-concept framework infrastructure, which we control. They do not have access to it.

Q597 **Yuan Yang:** Which datasets will we be pushing into that infrastructure?

Jessica Rusu: They will have access to all the information that we use to identify financial crime.

Q598 **Yuan Yang:** Could you give examples of what that includes? What information do you use to identify financial crime?

Jessica Rusu: For example, we do entity resolution between individuals and firms. We link addresses. We identify networks of fraud and harm. As we spoke about earlier, we have over 20,000 social media data sources. We use all of that information to identify bad actors.

Q599 **Yuan Yang:** For example, you are talking about things such as names and addresses of people whose payments are being scrutinised for potential anti-money laundering purposes. That is the kind of area you are looking at.

Jessica Rusu: That is correct, but we will maintain the data controller at all times. They will only be a data processor. They will not have access to the underlying intelligence. It is merely the platform and the software that will be processing it.

Q600 **Yuan Yang:** You mentioned that this procurement process was done in line with the general public procurement standards. Does that mean there were multiple bidders for the contract, which Palantir won competitively?

Jessica Rusu: Yes, there were.

Q601 **Yuan Yang:** Palantir, of course, also operates with other Government



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Departments, including the NHS, the military and police departments. Did you discuss this contract, as the FCA, with anyone else from central Government in terms of understanding the breadth of information that Palantir has across the UK Government data estate?

Jessica Rusu: We don't do that as part of the procurement process. It is a completely blind process. We don't get involved in influencing the outcome of the scoring process in any way.

Q602 **Yuan Yang:** Is it possible for Palantir to link the data that it has access to across different UK Government Departments?

Jessica Rusu: No, it is absolutely not. It is in its own S3 bucket.

Q603 **Yuan Yang:** Finally, what independent oversight mechanisms do you have, if any, to audit Palantir's use of FCA data?

Jessica Rusu: We have architectural control over the POC at all times so we have the ability to do that. Within the contract we have all the regular data compliance certifications that you would expect to see as well as the Official Secrets Act and all the other data control and data processing requirements. We will have confirmation at the end of the POC that all data is destroyed.

Q604 **Yuan Yang:** Is it audited in-house within the FCA?

Jessica Rusu: Yes, we have supplier management teams.

Q605 **Jim Dickson:** Just very quickly, can you be certain, therefore, that Palantir cannot retain any data for use outside the contract for their own uses, whatever they may be, following the end either of the 12 weeks or a further contract, if you should award them one?

Nikhil Rathi: If they did that, they would be breaking the contract and breaking the law.

Jessica Rusu: Yes.

Nikhil Rathi: When you enter into a supplier contract, you do assume that the contract will be respected and people will respect the law. We have checks in place. Can I give you 100% certainty that every single supplier we use is going to comply with the law? No major public body could give you that. We follow public procurement rules.

Q606 **John Glen:** Palantir provokes strong reactions for a variety of reasons. We do not need to get into that, but what we do need to understand, probably, is why they win these contracts. They have won, so they were the best that was out there in the market. Some say that we should prioritise other providers on principle because Palantir is big tech and it has taken over all the datasets across Government.

Is there anything that you can say about why they won this? Linked to that, the other concern is that they become ubiquitous across Government. You do not gain economies of scale. You do not get a price



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benefit from the fact that they have such access across Government. Is there anything that can be done to ensure that they do not become a monopoly?

Nikhil Rathi: I can understand the concern behind that question. This is a big strategic question around the deployment of big technology across the entire estate of public functions, whether that is the health service, the police or indeed our work.

The Committee has looked separately at the critical third-party regime and, in the context of financial services, the importance of having good oversight there. We also want to be the most effective enforcer against financial crime and money laundering. That requires us to use data intelligence more effectively and use best-in-class tools. That is what is tested through the procurement process.

Q607 **John Glen:** They were best in class.

Nikhil Rathi: They were an eligible bidder. They won the procurement. Everyone has to fill in the same forms. When we procured for a cloud service provider, we selected one of the big tech companies there. We use another one for our case management. They win on those contracts. You would hope that this is a global market. We are not the only agency in the world looking at this. Hopefully, competition remains vibrant globally so that we all have choice.

Q608 **John Glen:** If they were excluded from the process, as some of our colleagues in the House would want, what would that mean for the FCA?

Nikhil Rathi: We think that we would have a lower-quality proof of concept relative to the winning bidder. That is the choice that you face.

Jessica Rusu: It is possibly worth adding that we do quite a lot of work on sovereign architecture. We lean in quite heavily with No. 10 and other stakeholders across Government to talk about domestic cloud and investing in domestic capabilities, including AI and supercomputing facilities. There is a lot of work that we are doing to influence and cultivate domestic innovation.

Q609 **Chair:** Is all the data held in data centres in the UK?

Jessica Rusu: Yes, it is absolutely sovereign.

Q610 **John Glen:** About 20% of Palantir's employees are in the UK anyway, are they not? They have a significant presence. It is not like we are outsourcing it to California.

Jessica Rusu: My understanding is that they have been operating in the UK for about 10 years, across 13 police forces, the MOD, etc.

Q611 **John Glen:** Do you have any assurances around where members of staff and data centres would be based vis-à-vis this proof of concept?



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Jessica Rusu: Yes, it is contractual that the data will be held in a sovereign cloud. It is limited to SC-cleared staff.

Steve Smart: On the back of Nikhil's point, this is a pilot. It is a proof of concept. It is to see what value they add.

What is absolutely central to us in our fight against financial crime is that it is clear that the people who are the most agile, who can and do take advantage of technology the easiest, are the criminals. If we are to have any chance of being proportionate and at the same time keep up with the people who are behind the crime that we are all suffering from, we have to be able to look at some of this technology and bring it in.

John Glen: I personally agree with you.

Q612 **Dame Siobhain McDonagh:** We have seen cases where residential buildings are owned through offshore companies that are ultimately controlled by trust structures with no publicly available information on who the truly beneficial owner is. In one example in my constituency, in a Criterion Capital-linked property, tenants have been unable to identify who ultimately owns their building, with public records leading only to an Isle of Man company controlled by a trust. To what extent does this lack of transparency limit the FCA's ability to identify and act against financial crime?

Jessica Rusu: We describe this as multi-hop money laundering, when there are multiple stages of networks. This is exactly the kind of thing that we cultivate. In fact, we had a firm recently in the innovation sandbox called Napier AI that is looking at that kind of network crime.

Q613 **Dame Siobhain McDonagh:** I have some suggestions for who you could look at.

Nikhil Rathi: Decisions on the transparency matter for the Government and the Treasury. The register has been an evolving picture. One of the issues that we found when we were authorising crypto platforms under the money laundering regime is we were not getting straightforward information about ultimate controller and ultimate beneficial owner. That contributed to why we did not accept 85% of the applications, notwithstanding the ferocious criticism that we got from parts of Parliament for being quite rigorous. That was because we did not have the information so we could not make a judgment to say that they were safe to operate.

Q614 **Dame Siobhain McDonagh:** Transparency International and others have identified trusts as a remaining blind spot in beneficial ownership transparency. Therefore, what specific changes would most improve your ability to identify ultimate beneficial owners and take enforcement action?

Nikhil Rathi: You are inviting us to comment on matters of Treasury policy and tax policy in particular. I will make a general point. The more transparency we are able to secure both within our own perimeter and



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cross-border, the more quickly and intrusively we can investigate financial crime concerns. Ultimately, the boundaries of that transparency are decided by Parliament.

Q615 Yuan Yang: Last year, OFSI's threat assessment said that around a quarter of the suspected breach reports that it received from UK financial services firms made reference to intermediary jurisdictions, such as the British Virgin Islands. Is your sense that this level of reporting of intermediary jurisdictions is too low—that firms are under-reporting? If so, what issues have you come across in ensuring that sanction controls account for intermediary jurisdictions adequately?

Steve Smart: We did a review back in 2023 across firms' controls of sanctions. That was one of the areas that were flagged in that review. We have subsequently worked with firms to close some of those areas. Again, with most of the financial crime areas, there is a breadth there. If you look at how many sanctioned individuals we have today compared to back in 2022, it has increased exponentially. We think the firms are getting better at it. We are due to produce another report in the next couple of months, which will show that there have been some improvements in that. We will continue working with them.

Q616 Yuan Yang: What have been the main changes? You mentioned that the number of sanctioned individuals has gone up since your last review. What changes have you seen in terms of the patterns coming out from the industry and how it is handling sanctions compliance?

Steve Smart: It is getting better technology, which is a big step forward for us.

Jessica Rusu: Many of the primary use cases that we have seen in the sandbox are around AML controls and sanctions screening. We provide synthetic data to firms so that they can strengthen those controls.

Nikhil Rathi: The other point that I would make, though, which is a challenging development, is that the geopolitical context is fragmented and you can have conflicts of law. You sometimes have this between US sanctions and Chinese sanctions, for example. That can put financial services firms in great difficulty because they have to choose which law to comply with. Sometimes those laws are deliberately designed to conflict with each other. That is a significant development, which may only become more complicated in the current geopolitical context.

Q617 Yuan Yang: You have previously published the number of assessments that you have made each year on sanctions compliance. Do you expect that number to continue rising this year?

Steve Smart: I don't know whether it will increase or not this year. We continue to focus on this. As I say, we will put a report out in the next couple of months that will show where we are with the companies.

Q618 Catherine West: Last year, the FCA changed the way it measures



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insider trading and concluded that, based on our insights, we have not seen an increase in market abuse over the last three years. Was the FCA measuring it wrongly before that, or is market abuse now under control in the UK?

Nikhil Rathi: The methodology evolved and improved. We have published how we have made the changes in that methodology. Overall, we think the cleanliness statistics have been on an improving path. That remains a metric that we will measure in our five-year strategy. We have now had 10 successful prosecutions for insider trading in the last couple of years, which is one of our most successful runs of prosecution that we have had for quite some time. We are definitely present and assertive, but, as Steve said, the criminals are sophisticated.

One other point I would make here is that we are probably the most prolific exporter of regulatory data globally cross-border because of the connections of the UK financial system. When you look at our market abuse work and insider trading work, you cannot just look at what we secure in terms of prosecutions and cleanliness here in the UK markets because we are helping our colleagues overseas also tackle some of this activity in their markets too. This is a global issue.

Q619 **Catherine West:** You have mentioned prosecutions twice in this session, so I will not go over that. In terms of trying to create a culture change, do you feel that you are making progress on that, or that the marketplace is making progress on that, or is it just going to come out somewhere else?

Steve Smart: We are making progress. We are making progress in terms of the relationship with the marketplace and with the industry in it. Nikhil mentioned the prosecutions. We had four criminal convictions last year, two of the biggest that we have ever had, for a brother and sister insider dealing team. They got six and a half and five and a half years, which is our biggest sentence. We got four regulatory convictions as well and two on listing rules. We do a lot of work to share the learning from that with industry. If you go on the website, you can see our Market Watch documentation. The big thing that we are pushing at the moment is pump and dump and working with industry to stop pump and dump scams.

We are making some progress, but as Nikhil said we have very agile opposition in this space. If you are a criminal and you want to wash your money and increase your money, the market is a really good place to do it. Again, we will only really make progress on the strength of the partnerships that we have. We work very closely with a number of international partners in this area because we have to. We have a number of operations running that look at some fairly significant organised crime groups that are operating in this area. It is something that we have to keep very focused on.



Nikhil Rathi: You may not read all of our press releases—perhaps the Clerks do—but when we publish enforcement outcomes, if we have had a tip-off from a firm that has given a suspicious report, we publicly acknowledge and thank them for doing that. To your point on culture change in the industry, we want to encourage that. They are the first line of defence. They will spot unusual things first and let us know. Very often, that leads to prosecutions.

Q620 **Catherine West:** Is there a way of measuring the frequency with which the judgments are published with the outcomes in terms of prevention?

Steve Smart: Yes, you can see it if you pull them all together. Again, data and technology are really helping us here. Nikhil is absolutely right. Most of our operations in this space and our leads come from industry. It comes from the STORs—the suspicious transaction and order reports—that we get. We got just short of 4,000 of those last year. We have around 7 billion bits of transaction reporting on an annual basis, which Jess, her team and some technology help us crawl over to try to spot some of these things. As we are working closer with international partners as well, that allows us to share some of this. That really takes us forward.

Q621 **Catherine West:** Does growing consumer involvement in those retail markets that you have mentioned mean that the FCA must do more to educate new entrants to the market?

Steve Smart: Yes, to make sure that people are aware.

Q622 **Catherine West:** Changes to the UK EMIR infrastructure regulation and derivatives reporting regime came into effect last year. The FCA reported in September that not all counterparties are yet compliant. What is the progress on that metric?

Nikhil Rathi: We are at around 95%. It is steady and solid progress. I am glad you have raised that. We have a consultation out more broadly right now about where we want to streamline the transaction reporting regime, but we are holding the line on the buy side continuing to report to us. They are trying to argue that they should not. If we followed that line of argument, we would lose visibility over 56% of activity of the buy side in the market. This plays a little bit into the growth and competitiveness discussions as well. We have to be thoughtful about market integrity as we think about regulatory streamlining.

Q623 **Catherine West:** Ten years on from the EU referendum, what are the remaining areas, getting out your crystal ball, of former EU market abuse regulation that the FCA is planning or allowing some resource for as it comes forward? Are there further areas where you believe you will have to be active?

Nikhil Rathi: In terms of regulatory reform, we inherited the civil regime from the EU, but our criminal regime is quite outdated. The Treasury has said that it will look at this at some point. There will be a moment where



you can try to align the civil and criminal regimes. We welcome the fact that some of the penalties and sentences have increased. We always have to keep under review our disclosure rules and our definitions of insider information and who insiders are because the market is constantly evolving.

As a general point, we have not come on to it in this Committee, but I know you have had a separate inquiry into the role of AI in these markets. In the next year or so—it is already starting to happen in some parts of the world—you are going to see millions of agents trading at a scale and volume that is way beyond anything that we have today. What does market abuse or market integrity mean in a world of agentic trading and commerce? That is going to be the big strategic question for the regime in the future.

Q624 Jim Dickson: I just want to ask you a couple of questions about crypto assets. Is it your estimate and assessment that the growing use of crypto assets is increasing the amount of financial crime that we see in our economy and in your environment?

Steve Smart: There are two ways that crypto impacts, are there not? First, it is behind a number of fraud and scams at the moment. We deal with a lot of crypto fraud and scams. If you look at the work that we do to take down websites and put warning lists on, a significant proportion of those are crypto scams that we are dealing with. Secondly, in terms of money laundering, crypto is increasingly an issue for us in terms of the speed and ease with which it allows criminals to move money around. It gives them a degree of protection that sometimes they do not get with cash.

Q625 Jim Dickson: You are working through a framework, which you are seeking to put in place next year, as I understand it. Given the risks that you have outlined, Mr Smart, is crypto a sufficient priority within your framework and your ongoing work as the FCA? Are you meeting the challenge?

Steve Smart: The work around the regulatory system for crypto is a clear priority for us. From an enforcement perspective, we are very engaged in that. We already have a number of operations running that are related to crypto. Again, some of our successes last year were in the crypto space. We disrupted a crypto ATM network. That investigation took us about 14 months from beginning it to the guilty verdict. We continue to work with firms around systems and controls that might help in some of this space. You cannot work on financial crime now without having a focus on crypto, and everybody in the organisation understands the importance of that.

Nikhil Rathi: Mr Dickson, what you cannot get away from—this is a point that we have made here, and Parliament has legislated on this—is that this is high risk. It is high risk in terms of potential losses, which is why we say repeatedly that anyone who puts their money in here must only



put money in that they can afford to lose. It is high risk in terms of market integrity and financial crime. We will have a framework in place. We will be working on it and focusing on many of these issues, but we are not going to be able to eliminate all of those market integrity or investor risks in this market.

Q626 Jim Dickson: In developing your approach, which you have said and confirmed that you are on track to introduce in October 2027, what have you learned about the way in which we need to create this crypto asset environment and wider resilience? Are there things that you have understood as you have gone along that will play a part in the final framework?

Nikhil Rathi: One thing is that these are not traditional financial services firms so the mode of engagement is something quite different. It has moved a lot in the last couple of years in terms of the quality of co-operation and engagement. We have made a lot more pre-application support available so that firms can understand our standards. We have innovation in other sandboxes too. We need to have regulation that is quite flexible because the nature of the operations is quite heterogeneous for different crypto firms in different parts of the world. That is why we have quite a lot of flexibility in there.

When it comes to market abuse, because of the structures that they have, there will be more onus on the platforms themselves to be doing the work here because we do not have the same global infrastructure to share information that we have under MOUs with our partners for equity trading, for example. That is not in place at the moment.

The final point that I would make is a repeat of what I just said. Some of the core standards around resilience and what happens in a failure are just not as robust as you might have for traditional financial institutions, which is why anyone investing needs to be ready to lose because there will not be FSCS and other protections. Reinforcing that all the way through this legislative process has been important for us.

Q627 Chair: Obviously there is a lot of risk in this but, as the local MP for Shoreditch, I recently met with a group of AI, crypto and various businesses in the tech sector working with non-fungible and fungible tokens. They were saying—well, of course they would say this—that the caution about trading is slowing down transactions that could be much faster. How are you working out where to draw the line? You rightly highlighted the challenge of this in an international arena.

Many of the people who I met were passing through Shoreditch while also having footprints in other countries. They were very positive about London as a base for their work, which was interesting. How are you going to get that balance—to make sure that the benefits of fast trading can be realised perhaps more than they are? In their words, it is ridiculous that things are held up waiting when we have immutable ways of proving where movement is taking in this arena.



Jessica Rusu: One of the things that we sometimes look at in the innovation sandbox is, we do invite firms in to look at things such as disclosure regimes, and a few weeks ago we had the stablecoin sprint. We looked at the kinds of information that we would collect. As you know, stablecoins are slightly different from other types of crypto. One of the important use cases, as you highlighted, is the ability to make cross-border payments faster. For example, SMEs have communicated that if they need to pay a supplier in another country they save quite a lot of money if they are able to do that with a stablecoin payment. There are opportunities as well as risks.

The important thing that we are doing is engaging in conversation with the domestic firms as well as the international firms. There is always a question about interoperability; I get asked that question all the time. As Nikhil mentioned, it is important for us to be flexible and to recognise that the firms are quite unique and the technology is unique, which is why we engage with them on the kinds of information that they can provide to us to give confidence to our supervisory and policy teams that they can be authorised.

Q628 **Chair:** You have a sandbox for them. How much do you get to see what is going in the sandbox so that you can adjust your regulatory regime?

Jessica Rusu: For example, any firm that would come in would provide all the information. We would provide our policy statements. They would give us the evidence as to how they would comply with that policy.

Q629 **Chair:** You have your crypto road map, which Mr Dickson referred to; you had the stablecoins consultation paper back in 2025; and there is various other work going on on trading platforms and so on. You have touched on trading platforms. Is there anything more that you can tell us about trading platforms and how you are going to progress that, given that the Government are leaning into this—there is a big sector in the UK—and are very positive about it?

Nikhil Rathi: The platforms are already covered by the money laundering regulations. The entire package of crypto reforms should be ready roughly by September this year, with the gateway opening in 2027.

Q630 **Chair:** You are on track.

Nikhil Rathi: We are on track. The statutory instrument has been moving through Parliament to enable us to move forward. We will have one of the most comprehensive and rounded regulatory frameworks in the world in a matter of months now.

Q631 **Chair:** On non-fungible tokens, it was quite fascinating to learn about how Pokémon cards are traded now, for example. You do not have to own the physical thing. Given your experience in this area, could other bits of Government be learning about trading in this new way? The Government have changed the law to make these assets in a class of their own that is more protected.



Nikhil Rathi: Certainly, a vision of the digitisation of the asset base of the economy could transform the way those assets are traded and the efficiency of that trading, the accessibility of that trading and the cross-border nature of it. That digitisation does not simply need to apply to financial securities, equities, bonds and related contracts. You could start to see property or, in some parts of the world, art or even Pokémon cards. A whole range of things could potentially open up. That calls for a potentially dramatic shift in the way we think about our infrastructure. There will be lessons for all of us as we think about this. Some of these developments could happen quite fast.

Q632 **Chair:** Are you working at the right pace? It is not a criticism, but as a regulator you have to do quite a lot of things that may make businesses impatient. My fintechs often complain about slowness as well. Are there any lessons that you have learned, having worked your way through the crypto road map, that could be applied more widely across Government?

Nikhil Rathi: At the last Committee meeting, you asked me to reply to the Committee with our legislative asks. We will be producing our latest perimeter report. The one observation that I would make about the way our system works in the UK—it is not just the UK, but we have a particular architecture—is that we cannot regulate until it is brought into our perimeter. Some of these things can take years. Buy now, pay later took five or six years. There is a legislative process.

The markets move in weeks now. Innovation moves in weeks. Look at the way in which AI is suddenly being used for financial advice and getting deep penetration not just in the UK but all around the world. We need to think about how our system functions to cope with a world where products don't wait for legislation.

Q633 **Chair:** I would say a bit more Shoreditch and a little less Whitehall, but it is easy to say that. Whitehall always moves at the same speed.

Nikhil Rathi: How do we do that in a way that ensures you are comfortable, with democratic oversight and democratic accountability, which is rightly why we have these legislative processes.

When it comes to digital assets and tokenisation, we have moved forward on fund tokenisation. The Treasury and the Bank of England are doing their work on the digital gilt. We are doing work in our digital securities sandbox. Ultimately, what is going to be the thing that holds us back in terms of pace? It is the legislation. Until that is settled and we work out what the regime is going to be, how it is going to interact with personal data and all those other things in the legislative system, we will not be able to really turbocharge this.

Chair: That is a fair challenge.

Q634 **John Glen:** Just on that quickly, you have been Private Secretary to Prime Ministers. You have been the chief executive of the London Stock Exchange. You are now five or six years into being the chief executive of



our financial regulator. How do we fix that? You have diagnosed the problem: it is the speed of getting legislation through to deal with these faster-moving phenomena in financial services. What must change?

Nikhil Rathi: That is why I asked for a risk appetite from the Government and Ministers and Parliament so that we all know, broadly speaking, what guardrails we are operating within, with appropriate democratic input and oversight.

Secondly, the digital securities sandbox is quite a powerful example where Parliament—unusually, I would say—has allowed experimentation. If that experimentation is successful, it has allowed the Treasury to switch off some primary legislation on the back of it without necessarily having to go through the full primary legislative process. Reimagining how some of those powers could be developed and used in a way that you are comfortable with, from an oversight perspective, I think is going to be the way through this.

Q635 **John Glen:** Five years ago, at Mansion House, the Chancellor at the time, Rishi Sunak, said that we would be “watching closely the key debates in finance and tech, like the opportunities of distributed ledger technology in capital markets”. Last Wednesday, Reuters published an article, “Nasdaq receives SEC nod for trading in tokenised securities”. It said that “certain stocks will be traded in tokenised form, according to a regulatory filing”. It went on to say, “Nasdaq had filed a proposal with the SEC in September to amend rules to allow listed stocks and exchange-traded products to trade on its main market”.

Do you not think that we in the UK have missed an opportunity to be doing that at the same pace as they seem to be doing it over there? Most people in London would say that is what is happening. They might say it is a transitory Trump phenomenon, but how can you reassure us that you are doing everything you can to get London into the most competitive place in this space?

Nikhil Rathi: I am not sure I would necessarily agree with you that most people in London would say that. I meet a number of chief executives regularly. I very openly ask them, “Where would you like us to go on this?” There is a debate. Some will say, “Yes, we want to go faster,” Others are much more cautious about it.

On fund tokenisation, we are putting in place the regime. Our door is not getting beaten down with takers for that regime—adopters of it. We can put the regime in place, but ultimately the market has to move. They have to think that it is commercial, and worthwhile to do it. The digital securities sandbox enables us to give people some comfort around that, but they have to decide whether the economics works.

There is a broader point around our execution capability in the UK. In terms of the kind of vision that I just described around digital assets and what you just talked about with Nasdaq—could you make on-chain and off-chain assets fungible? That is a rebuild or remaking of the foundations



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of our settlement infrastructure and the plumbing of the financial system in the UK. It would require an enormous investment of resources from not just from us, but from all the commercial players. They need to be willing to put their money and their best people behind it to make it happen.

The industry, and the UK perhaps collectively, have not had the best track record of delivering at pace. For example, T+1 is only coming in at the end of next year because there was a lot of argument about who should pay for it. It was not going to be the Treasury or the FCA that were going to pay for it. Ultimately, that had to be settled. Those things can sometimes take quite a few years to work through.

Q636 **John Glen:** In summary, you can do so much, but the industry has to be alongside you and committed at the same pace as you.

Nikhil Rathi: Exactly, yes. It is a system effort. For all these issues that we have talked about today, such as financial crime or indeed this, ideally you need system buy-in—buy-in from Government, Parliament, regulators and industry. If we are all moving in the same direction, there is an incredible opportunity for the UK because we have a phenomenal science base, a fantastic financial service industry, a fantastic AI base here and great talent. It is about harnessing all that and making it happen.

Q637 **Bobby Dean:** Just building on that, I wanted to put today's session in the context of the wider discussion around regulators more broadly. The Chancellor stood up at Mansion House last year and said that regulators have been a boot on the neck of business and have been encouraging this higher risk appetite, but we have been discussing today some areas where I think the Chancellor would not be too pleased if you took your foot off the gas. In fact, regulators probably need more powers and resources to tackle financial crime.

What would you say to those people who might look at the discussion we have had today and say, "If you want this risky investment culture, more bad stuff is going to happen. Bad advice is going to be given. Bad decisions are going to be taken by consumers. People are going to lose out. That is a necessary trade-off"? Do you agree that there is that trade-off?

Nikhil Rathi: There are choices and there are trade-offs, but that does not mean we should be complacent about the risks. Let me give you a very live example right now, of the mortgage market. We did make some changes to standards last year, which has had a meaningful impact on the proportion of purchases being made by first-time buyers in all your constituencies right across the country, particularly outside London and the south-east.

I have said repeatedly that, over time, that might lead to a modest degree of distress, but we are not seeing that come through in the data. We have the consumer duty that makes sure that people are treated



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fairly in that period. We are monitoring incredibly closely, in light of some of the changes last week to the yield curves in the market, what is happening in terms of the products on the market and what might happen to those who need to move off fixes into higher rates in the next few months.

We can acknowledge that there is a trade-off, but we can also be vigilant around the data and move quickly if we see some issues emerging. That is the way through some of this, but it does need a degree of understanding that there is some of that choice that we are making.

Chair: Thank you very much indeed to our panel. We have had an interesting session, starting off with motor finance redress. We had confirmation today that we will receive an update on 30 March—next week. We also discussed potential concerns about the Government’s planned reform of the Financial Ombudsman Service and how that will interact with the work of the Financial Conduct Authority.

When we were looking at financial crime, we heard about the FCA’s work to counter investment fraud and its work with the Payment Systems Regulator on APP—push-payment fraud. We also discussed concerns around Palantir and its contract, crypto assets and the challenges of regulation in that area.

Thank you to our witnesses, Nikhil Rathi, Jessica Rusu and Steve Smart from the Financial Conduct Authority. Thank you very much indeed for your time. The transcript will be available on the website uncorrected. Thanks to our colleagues at *Hansard* and thank you to our colleagues at Bow Tie for the broadcasting. Thank you very much indeed.