



House of Commons
Treasury Committee

Appointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority

Seventh Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 22 July 2020*

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue and Customs and associated public bodies.

Current Membership

[Mel Stride MP](#) (Chair) (Conservative, Central Devon)

[Rushanara Ali MP](#) (Labour, Bethnal Green and Bow)

[Mr Steve Baker MP](#) (Conservative, Wycombe)

[Harriett Baldwin MP](#) (Conservative, West Worcestershire)

[Anthony Browne MP](#) (Conservative, South Cambridgeshire)

[Felicity Buchan MP](#) (Conservative, Kensington)

[Ms Angela Eagle MP](#) (Labour, Wallasey)

[Mike Hill MP](#) (Labour, Hartlepool)

[Julie Marson MP](#) (Conservative, Hertford and Stortford)

[Siobhain McDonagh MP](#) (Labour, Mitcham and Morden)

[Alison Thewliss MP](#) (Scottish National Party, Glasgow Central)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2020. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright/.

Committee reports are published on the Committee's website at <https://committees.parliament.uk/committee/158/treasury-committee/> and in print by Order of the House.

Committee staff

The current staff of the Committee are John-Paul Flaherty (Second Clerk), Rachel Kift (on secondment from the National Audit Office), Dan Lee (Senior Economist), Gosia McBride (Clerk), Cat Melvin (on secondment from Financial Conduct Authority), Aruni Muthumala (Senior Economist), Matt Panteli (Senior Media and Policy Officer), Baris Tufekci (Committee Support Assistant), Adam Wales (Chief Policy Adviser), Maciej Wenerski (Senior Committee Assistant), Marcus Wilton (Senior Economist), and Tony Verran (on secondment from HM Revenue & Customs).

Contacts

All correspondence should be addressed to the Clerk of the Treasury Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is treascom@parliament.uk.

You can follow the Committee on Twitter using [@commonstreasury](https://twitter.com/commonstreasury).

Contents

1	Introduction	3
2	The appointment of Nikhil Rathi	4
	Background on Nikhil Rathi	4
	Our evidence	4
	Conclusion	6
	Formal Minutes	7
	Witnesses	8
	Published written evidence	9
	List of reports from the Committee during the current Parliament	10

1 Introduction

1. The Treasury announced the appointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority (FCA) on 22 June 2020. Mr Rathi has been appointed for a five-year term.¹ The Financial Services and Markets Act 2000 (as amended) states that the term of office of a person appointed as Chief Executive of the FCA must not begin until either they have appeared before this Committee, or three months having passed, whichever is earlier.² In his letter to the Chair of the Committee on 22 June 2020, the Chancellor also confirmed that:

Should the TSC recommend in its pre-commencement hearing report that the Government’s FCA Chief Executive appointee be put as a motion to the House of Commons, the Government will make time for this motion and respect the decision of the House.³

2. In this Report, we have considered the suitability of Nikhil Rathi for his appointment as Chief Executive of the Financial Conduct Authority against two criteria—personal independence and professional competence—in line with the practice of previous Treasury Committees.

3. We took evidence from Mr Rathi on 22 July 2020. He provided a full CV and answered our questionnaire prior to giving oral evidence. The Committee thanks him for his evidence.

1 HM Treasury, [News story: Chief Executive of the Financial Conduct Authority](#), 22 June 2020

2 Financial Services and Markets Act 2000, Schedule 1ZA, Paragraph 2A

3 [Letter from the Chancellor to the Chair of the Treasury Committee](#), 22 June 2020

2 The appointment of Nikhil Rathi

Background on Nikhil Rathi

4. Mr Rathi was most recently Chief Executive Officer of the London Stock Exchange plc and Director of International Development at the London Stock Exchange Group. Prior to that, from May 2014 to September 2015, he was Director of International Development and Chief of Staff at the London Stock Exchange Group. He was also a Member of the FCA Practitioner Panel and Market Practitioner Panel between 2015 and 2020, and has been Chair of the Market Practitioner Panel since August 2019. Before he moved to the London Stock Exchange, he had been with HM Treasury since October 2002, where he held a number of roles, culminating in him being the Director of the Financial Services Group from November 2009 to April 2014. He was also a member of the EU Financial Services Committee from 2009 to 2014. During his time at HM Treasury, he was seconded to the Prime Minister's office as Private Secretary to the Prime Minister from March 2005 to May 2008. Mr Rathi holds a BA (Hons) in Politics, Philosophy and Economics and an M.Phil in Politics, both from the University of Oxford.

Our evidence

5. On 17 July we wrote to Charles Roxburgh, Second Permanent Secretary and chair of the panel which was involved in the appointment of Nikhil Rathi, to ask about a record in Companies House of Mr Rathi having been a person of significant control of VLS Holdings LLP. We asked him to confirm whether the assessment panel had been aware of the connection and, if so, what bearing it had had on those deliberations. In response we received a letter from Mr Roxburgh, including correspondence from Mr Rathi to the Second Permanent Secretary. This explained that Mr Rathi had declared an interest in buy-to-let properties to the panel during the appointment process though not the detail of his membership of the holding. Mr Rathi's letter further explained that he had taken advice before the purchase, that as the investment involved a further family member, a partnership agreement seemed the most appropriate way to own the property, and that a further consideration had also been, for one family member in particular, the flexibility for part of the property to be used as a personal residence, and that the partnership owned no other property.

6. At the appointment hearing we asked Mr Rathi about the history and purpose of the arrangement and whether this had been driven by tax advantage. He told us it had been driven by flexibility of use, namely pooling together of family resources for an investment while retaining flexibility to use it for personal use and confirmed that the partnership was UK resident and filed returns with HMRC. He also told us that the FCA had confirmed that there had not been a conflict of interest with the purchase. When asked if HMRC or any reasonable person could challenge the structure, Mr Rathi told us no, it was a tax transparent arrangement and all members of the partnership would file personal tax returns in the usual way. It would have been helpful if Mr Rathi had provided more information upfront to both the recruitment panel and the Committee. However, we are grateful to him for providing further information to us. Transparency will be critical in our relationship with the Chief Executive of the Financial Conduct Authority, as we carry out our scrutiny of its work.

7. We also questioned Mr Rathi about his personal suitability for the post, issues facing the FCA and his leadership. Topics covered during the session included:

- the transformation agenda, focussing on his desire for “a more preventative approach for consumer harms” and “strong and prompt enforcement”;
- the main barriers to diversity at the FCA;
- his focus on consumer issues raised by the Committee previously;
- the impact of mortgage holidays on consumer credit scores;
- how his leadership will get the best results for consumers;
- concerns around so-called ‘Mortgage prisoners’;
- consumer access to bank branches;
- the use of, and access to, physical cash especially for vulnerable consumers;
- the role the FCA should have in enforcing the Equalities Act;
- whether the FCA should have an international competitiveness objective;
- examples of his independence from the Treasury;
- whether he has criticisms of Treasury policy;
- whether he would disagree publicly with Treasury policy;
- his longer-term career plans after his initial term at the FCA;
- his views on the Lifetime ISA;
- his leadership on diversity, and any early targets he may have;
- key issues for diversity in financial services, and how he intends to seek change;
- his experience of managing organisations;
- the depth of the FCA’s current ‘bench’ of expertise;
- his thoughts on the Complaints Commissioner’s Annual Report, including concerns about the FCA complaints processes;
- his views on rules versus principles in regulation;
- recent concerns around FCA staff conduct at its head office;
- examples of him providing inspirational leadership;
- his prioritisation of combatting economic crime;
- FCA resourcing;

- the potential for increased economic crime in the face of the coronavirus crisis, and how the FCA will tackle it;
- the effectiveness of the FCA's ScamSmart campaign;
- the Complaints Commissioner's comments on the FCA's view of its role in dealing with fraud;
- levels of consumer engagement with Pension Wise;
- his thoughts on the future relationship with the EU with regard to financial services and regulation;
- the impact of not having a deal at the end of the withdrawal agreement;
- rules he believes should change following the UK's departure from the EU;
- his concerns around any international competitiveness objective for the FCA;
- his thoughts on how the FCA could promote competition;
- how the FCA provides clarity to new entrants on the appropriateness of their business models from the FCA's perspective given its objectives;
- criticisms of the speed of the FCA's actions and his initial observations on this;
- whether the FCA will be seen as more interventionist under his leadership;
- the FCA's appetite towards legal risk in its work;
- the imbalance between firms' and consumers' legal resources and capabilities;
- derisking; and
- the Financial Ombudsman Service.

Conclusion

8. We are satisfied that Nikhil Rathi has the professional competence and personal independence to carry out his role as Chief Executive of the Financial Conduct Authority. We wish him every success in his role.

9. In our session on the appointment of the Governor of the Bank of England, we raised significant concerns relating to the culture and operations of the Financial Conduct Authority, and the industry it regulates. Though the Committee's recent focus has been on its inquiry into the Economic Impact of Coronavirus, given our ongoing concerns we will continue to scrutinise carefully the work of the Financial Conduct Authority.

Formal Minutes

The following declarations of interest relating to the inquiry were made:

22 July 2020

Harriett Baldwin declared the following interest: that she had previously attended working events with Nikhil Rathi, namely the Market Open Ceremonies of the London Stock Exchange.

Anthony Browne declared the following interests:

- that he has worked for financial technology companies which involved working with the Financial Conduct Authority.
- that as Chief Executive of the British Bankers Association (2012–2017) he had worked closely with the Financial Conduct Authority.
- that he had previously held meetings with Nikhil Rathi in a work capacity in relation to international banking regulation.

Wednesday 22 July 2020

Members present:

Mel Stride, in the Chair

Rushanara Ali	Mike Hill
Harriett Baldwin	Julie Marson
Anthony Browne	Alison Thewliss
Felicity Buchan	

Draft Report (*The appointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 9 read and agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Tuesday 1 September 2020 at 9.00 a.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 22 July 2020

Nikhil Rathi, Chief Executive designate, Financial Conduct Authority

[Q1–59](#)

Published written evidence

The following written evidence was received and can be viewed on the [scrutiny evidence page](#) of the Committee's website.

- 1 Letter from the Chair of the Treasury Committee to the Second Permanent Secretary of HM Treasury ([Letter](#))
- 2 Appointment of Nikhil Rathi as FCA Chief Executive ([CV](#))
- 3 Letter from Nikhil Rathi to Second Permanent Secretary ([Letter](#))
- 4 Letter from Second Permanent Secretary re Appointment of the Chief Executive of the Financial Conduct Authority ([Letter](#))
- 5 Letter from the Economic Secretary related to the appointment of the Chief Executive ([Letter](#))
- 6 Questions from Treasury Committee on the appointment of Nikhil Rathi as FCA CEO 13 July ([Questions](#))

List of reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2019–21

First Report	Appointment of Andrew Bailey as Governor of the Bank of England	HC 122
Second Report	Economic impact of coronavirus: Gaps in support	HC 454
Third Report	Appointment of Richard Hughes as the Chair of the Office for Budget Responsibility	HC 618
Fourth Report	Appointment of Jonathan Hall to the Financial Policy Committee	HC 621
Fifth Report	Reappointment of Andy Haldane to the Monetary Policy Committee	HC 620
Sixth Report	Reappointment of Professor Silvana Tenreyro to the Monetary Policy Committee	HC 619
First Special Report	IT failures in the financial services sector: Government and Regulators Responses to the Committee's Second Report of Session 2019	HC 114
Second Special Report	Economic Crime: Consumer View: Government and Regulators' Responses to Committee's Third Report of Session 2019	HC 91
Third Special Report	Economic impact of coronavirus: Gaps in support: Government Response to the Committee's Second Report of Session 2019–21	HC 662