



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Mel Stride MP  
Chair of the Treasury Committee  
House of Commons  
Committee Office  
London, SW1A 0AA

25 July 2022

Dear Mel,

**Proposals for the Financial Conduct Authority (FCA) to be given a 'have regards' to financial inclusion**

In his letter to the Committee of 1 April 2022, the previous Economic Secretary to the Treasury agreed to follow up in writing about the specific proposals for the FCA to be given a separate 'have regards' to financial inclusion. This builds on the evidence that he gave to the Committee on 2 March 2022, alongside the Minister for Pensions and Financial Inclusion (MfPFI).

The Government recognises the strong interest in these proposals – which was also expressed in several responses to the Government's Future Regulatory Framework (FRF) Review consultation published in November 2021 – and the laudable motivation of those advocating it. Making sure people have access to the right financial products and services – regardless of their background or income – remains a key priority for this Government.

I note that the recent report from the TSC on 'Future of Financial Services Regulation' recommended that the Treasury should require the FCA to have regard for financial inclusion in its rule-making, but not to make changes relating to financial inclusion to the FCA's objectives. Additionally, the previous Economic Secretary and HMT officials met with Emma Hardy MP as well as Martin Coppack, Director of Fair by Design, who has been a leading figure advocating for an FCA 'have regards' on financial inclusion. The Treasury continues to engage closely with other interested stakeholders and to consider the wider points raised carefully.

At present, however, the Government's position remains that the FCA's existing objectives and regulatory principles are well-aligned with financial inclusion objectives and that a separate 'have regards' to financial inclusion would not lead to tangible improvements over the current arrangements.

As my predecessor noted in his evidence on 2 March 2022, many financial inclusion issues, including those highlighted by the Committee, are complex and require several organisations to work together to come to a solution. There are numerous examples where this has been done successfully through close collaboration between the Government, regulators, industry and the third sector.

One vehicle to facilitate this collaboration is the Government's Financial Inclusion Policy Forum, which the Treasury's Economic Secretary and the MfPFI have chaired since 2018, and which Sheldon Mills, Executive Director for Consumers and Competition, currently attends for the FCA.

Over the years, the Forum has supported and facilitated joint working on important areas such as access to affordable credit, access to cash and access to insurance.

The Government has also allocated £100 million from dormant assets towards financial inclusion to fund the work of the independent organisation, Fair4All Finance, which is making a huge difference for people in vulnerable circumstances. And the Government is working in close partnership with the regulator and others on other current initiatives, such as the No-Interest Loan Scheme and plans to strengthen the regulation of interest-free Buy-Now-Pay-Later credit agreements.

You will be aware of the FCA's consultation on a new Consumer Duty, and its existing guidance for firms' treatment of consumers in vulnerable circumstances, both of which are important additional levers for the FCA to ensure that firms are fully focused on delivering good outcomes for consumers.

Related to the 'have regards' proposals, some have also called on the FCA to publish an annual report to Parliament about its work in relation to financial inclusion. As you know, the Government already publishes an annual report on financial inclusion, including the work it takes forward jointly with the FCA. The Government's last annual report was published on 6 December 2021 and can be found on [gov.uk](https://www.gov.uk), alongside those covering previous years. Existing FCA reports, such as its annual reports, or its [2022-25 corporate strategy document](#) published in April, reference its work on financial inclusion and specifically set out several consumer outcomes. These include for consumers to receive fair prices and quality, to be sold suitable products and services and receive good treatment, as well as for consumers to have strong confidence and levels of participation in the markets. The Government's view remains that those reports, in combination with the FCA's supervisory data and research work, such as its comprehensive Financial Lives survey, already provide relevant reporting on indicators of levels of financial inclusion in the UK.

Let me conclude by assuring you that we are continuously reflecting on how Government and the FCA can collaborate effectively on financial inclusion issues, including in the context of the implementation of the FRF Review. I also expect further discussions about this important issue during the passage of the Financial Services and Markets Bill.

Yours sincerely,

A handwritten signature in black ink that reads "Richard Fuller". The signature is written in a cursive style and is positioned above a horizontal line that serves as a separator.

**RICHARD FULLER**