

Rt Hon Mel Stride MP
Chair
Treasury Select Committee
House of Commons
SW1A 0AA

19 July 2022

Our ref: C220615B

Dear Mr Stride

Re: Annual Report

The Financial Conduct Authority is publishing today its [2021/22 Annual Report and Accounts](#).

Over the last year we worked more effectively to protect consumers, enhance market integrity and promote competition.

As a result of our work on credit card persistent debt, over half a million people are paying less in interest and charges, while millions are being offered better deals at renewal because of our changes to insurance pricing.

Following our enforcement action, firms and individuals that broke the rules were fined over half a billion pounds, including from our first ever criminal prosecution under anti-money laundering legislation. Despite our limited remit, we ensured that anti-money laundering rules apply to UK crypto platforms, so they are not used to funnel money to fuel crime or terrorism.

We secured 197 cancellations from firms which had not carried out regulatory activity in the, last 12 months helping to protect consumers from being misled.

We introduced wide-ranging listing reforms to maintain the UK market's competitive edge, while our globally pioneering and much emulated regulatory 'sandbox' is now open year-round. Last year, the UK represented nearly half of all European fintech investment, much of it outside London.

As well as improving how we discharge our statutory mandate, we continue to transform into an organisation that is increasingly data-led, forward-looking and proactive, including beyond our jurisdiction where necessary.

Proactive at our perimeter

The adverts that big tech platforms carry can lead to vulnerable customers being defrauded of their life savings. We lack formal oversight powers here but made clear we will find a way to take action if platforms do not address this.

Our engagement with Google resulted in them changing their policy to better protect consumers. Meta and Twitter have promised to do the same, and we worked with Government as it decided to include financial crime in upcoming legislation to tackle online harm. We are very grateful for the Treasury Committee's support for these steps.

Our [Perimeter Report](#), also published today (and building on previous Treasury Committee recommendations), underpins a formal discussion between the FCA and Government determining what we regulate and specific issues around the perimeter and action we're taking in response.

We have previously made the case to regulate pre-paid funeral plans. That is now happening and, ahead of our powers taking effect, we are checking existing providers meet our standards. Where they do not, we are working with the industry to transfer the majority of plans to other providers, to minimise potential disruption and distress to those whose provider has failed.

A new approach

For the first time we have set out market-wide outcomes we expect all firms to deliver.

Our New Consumer Duty will ensure all firms take account of the actual impact of their services and the suitability of their products for consumers. These requirements will address the need to support consumers in financial difficulty, ensuring that products offer fair value, and by making it easier for consumers to switch from inadequate products.

We want a laser focus on high standards across the board, permitting world-leading support for innovation.

We are changing because the world is always changing

New freedoms allow radical reform of our regulatory framework. Markets are rapidly digitalising, and we have a fundamental role in enabling a net zero economy.

Our response to the pandemic and the war in Ukraine shows we are becoming more adaptive and collaborative, working through solutions rapidly, with domestic and international partners. We need to remain proactive as UK consumers become more exposed to risk and more reliant on financial services, due to cost-of-living pressures.

Empowering colleagues

We are investing in our technology platform and systems, since 2019 we have invested over £100m and will invest an additional c£30m more over the coming year.

We are increasing our presence nationally by recruiting more staff in Leeds and Edinburgh, while also focussing on diversity and new capabilities. We are aiming for as many as 100 colleagues to join our office in Leeds by the end of Financial Year 2022/23.

We continue to provide one of the best, if not the best, employment packages of any regulator or enforcement agency in the UK. Almost 500 new colleagues have joined us this year and we expect nearly 1,000 to have done so by the end of the year.

Improving our processes

We note the Committee's recent report on the Future of Financial Services, and we recognise that there are areas where we have not fully achieved our targets. We are committed to improving and are taking steps in the long and in the short term to that effect. We have three key focus areas at the authorisations gateway:

First, we have strengthened our scrutiny of applications. This has focussed on our analysis of firms' financials and their business models, in particular. In the last financial year, the number of firms that were not authorised following scrutiny from us was one in five, up from one in 14

in the financial year 2020/21. While we will always strive to complete all cases within the specified periods, additional scrutiny can mean that some applications take longer to process. For example, in 2021/22 we set ourselves a voluntary target of processing 98% of complete applications for authorisation within the specified periods, this year we achieved 97.8%. During that time, 18 cases out of a total of 803 were completed outside of the operating metric. These applications were legally or technically complex and required significant engagement with the firms.

Second, we are working on improving overall assessment times. This has included bringing in additional resource to accelerate processing. We continue to recruit on top of the 95 new colleagues who joined the Authorisations Division in 2021/22. This recruitment will help to ensure we maintain high standards while increasing our throughput.

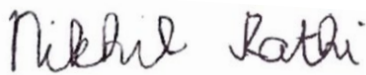
Third, we are improving the efficiency and experience for firms with clearer forms designed only to capture the information we need to make determinations. We are currently testing these with applicants to ensure we get the design right.

Our pending caseload has been reduced by 40% in the last six months, and we will keep the Committee updated on our progress.

The last year has been one of significant change for the markets we oversee, and we have changed our approach and have been proactive in rooting out risks. We will continue the same approach next year, while putting in place more metrics that will enable greater scrutiny of our performance.

Please do let us know if you have any questions or comments on today's publications. As ever I would be happy to meet with you to discuss in detail any questions you may have.

Yours sincerely,



Nikhil Rath
Chief Executive