

Harriett Baldwin MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

6 February 2024

Dear Harriett,

Re: Sexism and non-financial misconduct

When giving evidence as part of the Treasury Committee's Sexism in the City Inquiry, Dame Angela Eagle asked us to write to the Committee to outline which criminal offences ought to result in automatic prohibition from operating in financial services, on the basis that such a conviction would be incompatible with being fit and proper to do so.

Firstly, as we noted during the oral evidence session, Nikhil and I very much welcome the support of the Committee for our work to tackle non-financial misconduct in the financial sector. Our work is tied to our statutory objectives as a financial regulator. Where non-financial misconduct is allowed to persist, it can erode trust and create a culture where further wrongdoing and regulatory breaches go unchallenged, leading to harm to both customers and markets.

As Nikhil set out to the Committee, we are not calling for legislative change to underpin this. The fitness and propriety regime applies to a large number of individuals performing a wide range of roles across the sector, and thus we recognise that a uniform approach may not be appropriate in all cases. While we do think that a conviction for a criminal offence is potentially relevant to an assessment of fitness and propriety, we will consider the circumstances and merits of each case. We acknowledge that it would have been easier to secure a prohibition in the Frensham case had child sexual exploitation been included on a statutory list of offences entailing automatic disqualification from working in financial services. However, we are not currently proposing that there should be such a list, as we consider this might be neither exhaustive nor sufficiently flexible to take account of individual circumstances. It would of course be open to Parliament to legislate if it felt there were some offences that ought to result in automatic exclusion from working in a regulated sector such as financial services.

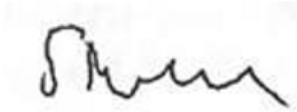
In our recent consultation, we set out proposals to be more explicit about the types of behaviour and non-financial offences to which particular consideration should be given by firms, and by the regulator, when assessing people as fit and proper. Our proposal is that particular attention should be paid to situations in which an individual has been convicted of violence, sexual offences or offences related to a person's or a group's demographic characteristics, such as racially motivated or aggravated offences – as well as situations where an individual has been found by a tribunal to engage in discriminatory practices or has been the subject of an upheld complaint. We are currently analysing the responses to our consultation.

Our consultation proposals set out in CP23/20 aim to accelerate the pace of change across the industry and help ensure UK financial services are an attractive place for the most talented people of all backgrounds.¹ We believe the changes we are putting forward will clarify our expectations and give us a greater ability to act than we have had in the past. Our proposals

¹ <https://www.fca.org.uk/publications/consultation-papers/cp23-20-diversity-inclusion-financial-sector-working-together-drive-change>

are subject to feedback from our public consultation, and we welcome the Committee's views both on our proposals on non-financial misconduct, and on diversity and inclusion more widely.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Pritchard', with a stylized, cursive flourish at the end.

Sarah Pritchard
Executive Director, Markets and Executive Director, International