

Rt Hon. the Lord Forsyth of Drumlean
Chair, Financial Services Regulation Committee
House of Lords
London
SW1A 0PW

9 December 2024

Dear Lord Forsyth,

RE: Publication of FCA Perimeter Report

We are writing to share the latest version of the FCA's Perimeter report, which discusses the specific issues we see around our regulatory perimeter and the action we are taking in response. This report is an important part of our accountability to Parliament, and we welcome engagement with you and your Committee.

Our regulatory perimeter is set by Parliament and Government through legislation, and determines what we do and do not regulate. Having a clearly defined and effective perimeter is key to enable us to advance our objectives, including our new secondary objective to facilitate the international competitiveness and growth of the UK economy in the medium to long term.

We consider it important to regularly review our perimeter to proactively consider how to respond to new and evolving concerns. Harm can result from firms or individuals carrying out regulated activities without authorisation or the correct permissions, or from confusion about where the perimeter sits and what that means. In addition, some harms that we have identified can occur in situations where the FCA does not have powers to act.

We have published Perimeter reports since 2019, and the Economic Secretary to the Treasury (EST) and I will meet to discuss the content of this report and steps we can take. The results of our discussion are published by the Government, to ensure transparency around the actions we are taking on the perimeter.

Updates to our Perimeter Report

This is the first time I have written to a Chair of the Financial Service Regulation Committee about the Perimeter report since we started publishing them. Our intention, if you would find this helpful, is to continue doing so for all future updates. We generally update this about three-times per year.

The last update to our Perimeter report was published in April 2024 during the previous Government. This version of the report represents a refreshed opportunity for the FCA

to discuss with both Treasury and the Committee some of the current strategic gaps in the overall UK legislative framework.

In the report, we highlight several areas where we welcome positive progress. For example, we launched a new consultation in September on payments and are looking forward to collaborating with the Government on both the new National Payments Vision and on the regulation of Buy-Now Pay-Later. We have also been taking action ourselves to mitigate some of the risks, such as our new guidance on financial promotions on social media influencers, which has helped us to bring successful charges against nine individuals.

However, some of the areas within the report reflect longstanding perimeter concerns that we and our stakeholders are keen to progress further in pursuit of our operational objectives of consumer protection, market integrity and competition in the interests of consumers:

- We have been discussing whether **investment consultants** should be within our perimeter since the Liability Driven Investment crisis and we are keen to see a resolution on this soon.
- The long-standing perimeter issue of **SME lending** was highlighted recently as a result of the Federation of Small Business' super-complaint against the FCA. We are keen to work with the Government on reform to the Consumer Credit Act (on which I say more below) to ensure this matter is clarified and resolved.
- Following Treasury's Call for Evidence in 2021, we continue to see risks of harm where principals do not adequately oversee the activities of their **Appointed Representatives**. We are ready to engage further with Treasury on appropriate next steps.
- A recent Complaints Commissioner report has reiterated the importance of us seeking clarity from the Government on where the perimeter should lie in relation to **sports and non-financial spread-betting**. We consider financial spread betting to sit within our perimeter, but that an alternative framework for sports spread betting could be more tailored to the risks of sports gambling.

Some of the areas within the Perimeter report also set out how wider action can further support us to advance international competitiveness and growth within our perimeter, consistent with our secondary objective. For example, the new **Smart Data powers in the Data (Use and Access) Bill** will help us to encourage innovative firms to scale up and accelerate thinking on use cases for Open Finance. This could be an important way for us to support productivity and economic growth by improving the way people can use their data to access products, better matching lenders and borrowers.

We also stand ready to support the Government to develop and take forward proposals to reform the retained provisions of the **Consumer Credit Act (CCA)**. Aspects of this Act, and the requirements it sets, have not kept pace with developments in how people communicate and use credit products. Bringing the CCA up to date offers an opportunity to advance competitiveness and growth by repealing outdated requirements and replacing them with a modern, proportionate regime.

The role of the Financial Services Regulation Committee

We recognise that as a result of the Committee's current inquiry into the FCA and PRA's secondary competitiveness and growth objective, Committee members may have a particular interest in how changes to our regulatory perimeter can impact our ability to meet our objectives. Ashley Alder and I will be giving evidence to the Committee's inquiry in January and we would be happy to answer any questions the Committee may have on this matter.

Yours sincerely,



Nikhil Rathi
Chief Executive