FINANCIAL CONDUCT AUTHORITY

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Dame Meg Hillier MP
Chair
Treasury Select Committee
House of Commons
London
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30 April 2025

Dear Dame Meg,

RE: Follow-up to Work of the Financial Conduct Authority (FCA) session

Thank you for your letter of 7 April following our recent evidence session. I have answered your questions in turn below.

1. *FCA published research on consumer saving and investment behaviour, and timelines for, and outlines of, any future publications on the same topic [Q243]*

Financial Lives is our flagship, nationally representative survey, of consumers about:

- consumers' attitudes towards managing their money
- the financial products they have
- their experiences of engaging with financial services firms

We conduct the full survey every 2 years. We will publish the results from 2024 next month. Previous detailed results can be found on our website.[1]

We have also carried out research to inform our reforms to advice and guidance, to test new proposals for targeted support, which will help consumers make more informed decisions. We published qualitative research [alongside our Consultation Paper 'CP24/27- Proposed Targeted Support Reforms for Pensions' in December 2024], which looked at the provision of 'targeted support' to non-advised consumers with defined contribution pensions (in accumulation and decumulation).[2] We will publish further quantitative and qualitative research on how different groups of consumers reacted to targeted support for retail investments in June 2025.

[1] https://www.fca.org.uk/financial-lives/resources-library
[2] https://www.fca.org.uk/publication/external-research/agbr-targeted-support-non-advised-defined-contribution-pensions.pdf, https://www.fca.org.uk/publication/consultation/cp24-27.pdf

Our behavioural design team have also recently carried out randomised control trials to assess the impact of disclosures on consumer behaviour.

We also conduct ad hoc work into investment behaviour, such as research into the gamification of trading apps,[3] and a quantitative study to understand the market size, consumer profiles and attitudes towards cryptoassets.[4]

As part of our ongoing InvestSmart campaign, we conduct tracking surveys and periodically commission and publish research relating to investor behaviour, particularly in young people.[5]

The examples above show how we proactively use consumer research and testing to inform reforms.

2. *FCA research or analysis on consumer understanding of the FCA's role (and the limits of that role) within the UK financial system and its regulatory regime [Q268]*

We regularly commission independent consumer research to track levels of awareness, understanding and role of the FCA and our communications channels.

The Financial Lives survey tracks awareness of, and trust in, the FCA, and consumers' understanding of what we do.

The most recently published Financial Lives survey was conducted in 2022 and released in 2023.[6] It found that 65% of adults had heard of the FCA prior to the survey, down from 68% in 2020, but that there was confusion between the roles of the FCA, the FSCS and the FOS among some respondents.

Data from our 2024 survey, which we will share with you nearer to publication, shows that the proportion of adults who were aware of the FCA, the Financial Services Register of firms on our website, and the FCA's consumer helpline remained unchanged since the 2022 survey. However, the latest survey also shows that only a minority of adults understood that saving or investing money with a firm regulated by the FCA did not mean their money was safe - this number reduced in 2024 compared with 2022.

We also commission a near-annual benchmarking study from Thinks Insight & Strategy on perceptions of the FCA and our engagement, including from consumer groups. In 2024, there was an increase in the FCA's reputation score from consumer organisations (7.4 out of 10, up from 7.0 in 2021 and 2023), with the FCA's continued focus on consumer protection driving an improvement.

We also conduct consumer tracking research, most recently in March 2024, which found that spontaneous awareness of the FCA remains lower than other

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[3] https://www.fca.org.uk/publications/research-articles/gaming-trading-how-trading-apps-could-be-engaging-consumers-worse

[4] https://www.fca.org.uk/publications/research/research-note-cryptoasset-consumer-research

[5] https://www.fca.org.uk/news/press-releases/fca-finds-two-thirds-young-investors-take-less-24-hours-make-investment-decisions and https://www.fca.org.uk/news/press-releases/young-investors-more-likely-have-long-term-goals-mind-dating-when-investing

[6] https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2022-key-findings.pdf (page 235)

UK regulatory bodies, such as Ofcom, with less than half of consumers able to name the FCA as the financial services regulator.[7]

62% of respondents claimed to have some understanding of the FCA, and 62% also agreed that the FCA works to protect the public from financial harm. The research found that most consumers who are aware of the FCA think we regulate the financial services industry. However, there is a lack of detailed understanding about what the FCA does and does not do.

As part of our work to improve consumer awareness of the FCA, later this year, we plan to launch a campaign to promote our new Firm Checker. This will highlight the importance of using an authorised firm.

While consumer education more broadly is outside of our remit, we have endeavoured to deliver a clearer Strategy which makes helping consumers navigate their financial lives, including through working with industry, a priority.

We also commission research to support the development and planning of consumer behaviour campaigns. For example, to help shape the InvestSmart campaign, we commissioned research from BritainThinks (now Thinks Insight & Strategy) on understanding the self-directed investor, which was published as a research paper.[8]

We are currently carrying out work to track consumer awareness and trust more regularly and are in the process of setting up questions for monthly tracking through consumer omnibus surveys.

3. *Any consumer law firms the FCA has engaged with in considering its redress scheme for motor finance complaints [Q289]*

The FCA's main channels for engaging with consumer voices are through our statutory Consumer Panel and our Consumer Network, which is made up of organisations that advocate for consumers, such as Citizens Advice.

We have met twice with one consumer law firm to discuss this issue at their request. In addition, we held a call on 28 March with consumer groups, alongside HM Treasury and the Financial Ombudsman Service. We are open to further stakeholder engagement as necessary.

If we decide to intervene with respect to motor finance complaints and to propose a redress scheme, there will be a full public consultation which will be supported by a full engagement plan.

We have also published guidance for consumers who have used car finance and may be owed compensation.[9] In this, we make it clear that consumers do not need to use a claims management service (CMC) or other firm to make a complaint, though if a consumer wishes to take their complaint to court, we do suggest that they may wish to seek independent legal advice.

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[7] Out of a choice of the FCA, MaPS, FSCS, FOS, HMRC, and the Bank of England.
[8] https://www.fca.org.uk/publication/research/understanding-self-directed-investors.pdf
[9] https://www.fca.org.uk/consumers/car-finance-complaints

4. *You noted that, when considering the FCA's need for data, "The levels of risk out there, particularly on our wholesale markets work, are among the highest ever." Can you describe why you consider the level of risk to be the highest ever, and why, in particular, in wholesale markets? [Q198]*

Wholesale markets face heightened risks due to increased geopolitical uncertainty and increasing global trade tensions. These risks are particularly relevant to the UK, because we are home to some of the largest and most internationally focused financial markets in the world, overseen by the FCA. I noted in my speech at the inaugural FCA Capital Markets Conference in October last year[10] that we are now in an era of "predictable volatility", with record numbers of volatility events in recent years.

This has been evident over recent weeks, with exceptionally high trading volumes, increased volatility and significant repricing across equity, commodity, currency and interest rate markets.[11] In spite of the recent volatility and repricing, markets have been operating in a relatively orderly way, with good resilience of market infrastructure, but the risk of markets becoming less orderly remains.

Utilising a range of regulatory data sets, we remain vigilant to these risks. Over the last few years, the FCA has developed new monitoring capabilities in Over-the-Counter (OTC) derivatives, fixed income, currencies, commodities and has looked to strengthen in short selling and transaction reporting. We combine regulatory and publicly available market datasets to help us better understand market activity. As such, with respect to recent market volatility in the UK interest rate markets, we were able to oversee markets in a timely manner and support orderly market functioning. We also interact with market participants and other regulatory stakeholders to further leverage and supplement our own insights.

5. *Can you provide an outline of the areas where the FCA currently needs, or predicts it will need, legislative change to further workstreams it currently has in train, plans to take forward or believes the government will require? [See for example Q260]*

The Regulatory Initiatives Grid (RIG) sets out our plans for the next 24 months, allowing industry and stakeholders to plan ahead. The most recent RIG was published on 14 April 2025, which outlines the expected legislative requirements and the specific timings if these are known, such as a Statutory Instrument (SI) to provide the legal framework for the PISCES Sandbox.[12] Where SIs are required, it is for HM Treasury to lay these.

Our perimeter is set by Parliament and requires the Treasury to make legislative changes. We have published a perimeter report since 2019, to outline where we think a change to our perimeter is needed, either to prevent significant harm or

[10] https://www.fca.org.uk/news/speeches/predictable-volatility
[11] For example, on 7 April alone, there were 76 million transaction reports received across asset classes – more than double the daily average of 30 million.
[12] https://www.fca.org.uk/publication/corporate/regulatory-initiatives-grid-apr-2025.pdf

to advance our objectives. Our latest report was published in December 2024, and raised several points, including non-financial spread-betting, Consumer Credit Act reform, investment consultants, and Appointed Representatives.[13] I have since met with the Economic Secretary to the Treasury to discuss our priorities in the latest Perimeter Report.[14]

There are other areas where we anticipate legislation will be required, such as folding the PSR into the FCA, as well as bringing ESG ratings providers into our perimeter, or changes to regulation of Buy Now, Pay Later firms – areas we support bringing into regulation. In addition, as outlined in our letter to the Prime Minister earlier this year, there are broader areas where Government action will support our work, including on digital identity authentication and verification; enhancing the quality of the Companies House database to help reduce costs for business; and the digitisation of court systems which should reduce delays. As with any legislation, the decision to introduce, timeline for introduction, and the legislative process, is a matter for Government and Parliament and we continue to work closely with HM Treasury on this.

6. *How many times has the FCA had a disagreement with the Financial Regulators Complaints Commissioner? [See Q276]*

The Complaints Commissioner (the Commissioner) is required to report on their investigations under the Complaints Scheme in an Annual Report. This report is laid before Parliament and published alongside the Regulators' responses, typically in July.[15]

In addition, since 2024, the Regulators have been required to explain in our responses the rationale for not accepting a recommendation made by the Commissioner.

When dealing with complaints, the Commissioner can recommend that we take action to address the matter complained of, and, in some cases, make wider recommendations even where they do not uphold the complaint allegation. Over the last 3 years, data relating to complaints about the FCA referred to the Commissioner are as follows:

Reporting Year	Commissioner fully agreed with the FCA	Recommendations made by the Commissioner to the FCA[16]	Recommendations not fully accepted by the FCA
2023-2024	198 out of 242 cases (82%)	204	66
2022-2023	140 out of 163 cases (86%)	62	2

[13] https://www.fca.org.uk/publications/corporate-documents/perimeter-report
[14] https://www.gov.uk/government/publications/hm-treasury-and-financial-conduct-authority-regulatory-perimeter-meeting-march-2025
[15] FCA, PRA and Bank of England
[16] A single complaint can lead to multiple recommendations from the Commissioner.

2021-2022 (excluding LCF complaints)	110 out of 124 cases (89%)	74	12 [17]

As can be seen, the Commissioner agrees with the majority of the FCA's decisions, and we agree with the majority of the Commissioner's recommendations. The recommendations not accepted in 2023-24 related to one case (33 complaints about the same topic). The Commissioner made 5 recommendations on that case leading to 165 recommendations (33x5) which explains the increase in recommendations for that year. The FCA did not accept 2 of the 5 recommendations (33x2 = 66).

7. *What work has the FCA done on how firms treat prisoners and ex-prisoners, who may historically have found it difficult to open bank accounts and access credit on release, to allow their reintegration into society and prevent reoffending?*

Although we have not conducted any specific work on prisoners' access to bank accounts, or provided specific guidance on this, we have completed significant work on the broader question of consumers' access to banking services and account closures. This includes an update to our 2023 report on 'UK Payment Accounts: access and closures',[18] published in September 2024.[19]

The reports noted that we expect firms to improve awareness of, and access to, Basic Bank Accounts (BBAs). BBAs are available if an individual does not qualify for a standard bank account. To be eligible for a BBA, a consumer must be legally resident in the UK which includes prisoners and those who have been in prison.

Industry initiatives such as the Prisoners Banking Programme enable individuals without an existing bank account to apply for a BBA for use on release from prison.

Yours sincerely,

Nikhil Rathi
Chief Executive

[17] The FCA did not accept 8 recommendations and partially accepted 4.
[18] https://www.fca.org.uk/publication/corporate/uk-payment-accounts-access-and-closures.pdf
[19] https://www.fca.org.uk/publication/corporate/uk-payment-accounts-access-closures-update.pdf