



Treasury Committee

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Andrew Bailey
Governor
Bank of England
Via email

8 March 2021

Dear Andrew,

Following your oral evidence session before the Treasury Committee on 8 February 2021, I am writing to provide you with an opportunity to clarify some of the statements which you made during the session. I would be grateful if you could provide a response to the points listed below.

Responsibility vs Culpability

In response to a question I asked on what specific failings you take responsibility for with regards to the supervision of LCF, you commented that *‘there was an element of ambiguity in the original draft of [Dame Elizabeth Gloster’s] report about the difference between culpability and responsibility’*¹. You went on to state that there was a *‘fundamental misunderstanding’* and that it was incorrect for Dame Elizabeth to present the point made in your representations as an *‘unconditional statement’*² that you did not want your name mentioned in the report, especially with regards to responsibility.

You will be aware that Dame Elizabeth wrote to the Committee on 8 February 2021, disagreeing with your position on the issue. She provided relevant extracts from your representations in which you appear to have asked that the investigation should *‘delete the reference to ‘responsibility’ resting with specific identified/identifiable individuals, whether the Executive Directors of Supervision or Mr Bailey’*³. Your representations listed the reasons for this request, including that the Treasury’s Direction had not asked for attribution of responsibility. This was noted as a *‘freestanding reason for the removal of references to Mr Bailey’s responsibility’*⁴.

Dame Elizabeth disagrees that there was a *fundamental misunderstanding* during the Maxwellisation process but rather notes that the argument of personal culpability versus responsibility was *‘merely one argument in support of’*⁵ the position that references to you or other named individuals should be deleted from the report.

¹ <https://committees.parliament.uk/oralevidence/1692/pdf/> Q66

² *ibid.*, Q76

³ <https://committees.parliament.uk/publications/4634/documents/46856/default/> page 3, pt 21

⁴ *ibid.*, page 4, pt 22

⁵ *ibid.*, page 2

Could you please clarify the apparent contradictions between the evidence you gave and Dame Elizabeth's account in her letter?

'Broken Machine'

In response to a question I asked on whether issues at the FCA, in relation to LCF, could have been dealt with more quickly, you commented that '*... In the report, Dame Elizabeth described the FCA that I inherited as "a broken machine". Those were her words*'⁶. Dame Elizabeth has however stated to the Committee in her letter referenced above, that this was a comment you made in one of your interviews during the investigation, to describe the state of the FCA when you joined the organisation⁷.

Could you please clarify this point for the record?

Contact Centre

When giving evidence, you told the Committee that during your time as CEO, the contact centre '*was receiving 200,000 calls a year and there was no system for extracting information from those 200,000 calls*'⁸. However in Dame Elizabeth's report, the highest number of consumer calls recorded as received to the FCA contact centre during the relevant period was 126,500 (in 2015). Could you please explain the difference?

You went on to say that Dame Elizabeth benefited '*from the fact that the LCF calls were extracted for her team*'⁹. You noted (as above) that this had been unavailable to you for at least part of your time as CEO. Please could you clarify when you were first able to start extracting this information, and in the absence of such a system, whether temporary measures were introduced to pull some information from the system?

Lessons Learnt

When asked if there were lessons for Megan Butler and Jonathan Davidson personally in the failings of LCF's regulation, you commented that '*there are a lot of lessons for all of us*'¹⁰. You did not however state what lessons you learnt. Could you please provide the Committee with the lessons you personally learnt from the failings?

Financial Promotions

In answering Julie Marson's question on financial promotions, you noted that the financial promotions regime '*is a slightly odd adjunct to the FCA regime. It is not part of the FSMA regime proper in that sense.*'¹¹ Could you please clarify these remarks and further explain your thinking on the financial promotions regime?

⁶ <https://committees.parliament.uk/oralevidence/1692/pdf/> Q68

⁷ <https://committees.parliament.uk/publications/4634/documents/46856/default/> page 2

⁸ <https://committees.parliament.uk/oralevidence/1692/pdf/> Q71

⁹ *ibid.*

¹⁰ <https://committees.parliament.uk/oralevidence/1692/pdf/> Q74

¹¹ *ibid.*, Q94

Prioritisation

In speaking about the Perimeter in answer to Q67,¹² you explained that certain prioritisation decisions were made in relation to major change projects at the FCA. You made reference to two examples, one being high-cost credit, but did not comment on the other example. Could you please provide more information on these prioritisations, and how they influenced your work upon arrival as CEO?

I would be grateful for a reply by 22 March 2021. In line with our usual practice, I shall be placing this letter and your response in the public domain.

With best wishes,

A handwritten signature in blue ink that reads "Mel Stride".

Rt Hon. Mel Stride MP
Chair of the Treasury Committee

¹² *ibid.*, Q67