

Dame Meg Hillier  
House of Commons  
London  
SW1A 0AA

21 January 2026

Dear Dame Meg,

**Re: Follow-up to oral evidence session on 16 December 2025**

Thank you for your letter of 18 December 2025.

Before I turn to your specific questions, I want to address how we are seeking to deliver reform at pace, recognising the desire across Government, industry and Parliament to deliver faster; and how we are working with partners across the financial services system to achieve that.

Our letter to the Prime Minister in December 2025 captured the volume and speed of work we are undertaking, both to support growth as well as deliver our statutory objectives and strategic commitments.<sup>1</sup> While we are moving fast, there are often areas where we have to wait for legislation or Government action. We maintain pace by working in parallel to prepare so we are ready to proceed once the legislation is in place. Recognising the demands on parliamentary time, we have also taken steps to ensure our reforms are well anchored, including by seeking an articulation of the Government's risk appetite and accompanying metrics.

We will continue to update you as part of our accountability process, including through regular updates to the Regulatory Initiatives Grid and Perimeter Report. We remain supportive of the suggestion from the previous formation of this Committee to make it a statutory requirement for HM Treasury to formally respond, within a set timeframe, to recommendations for perimeter changes. To the extent that HM Treasury is also able to consider establishing statutory timetables for other decisions that it remains responsible for, the more that would support predictability, pace, agility and integrity in the system as a whole.

I will now turn to your specific questions.

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<sup>1</sup> <https://www.fca.org.uk/publication/correspondence/growth-approach-pm-letter-december-2025.pdf>

*1) Which elements of the Leeds Reforms has the Financial Conduct Authority (FCA) not yet implemented? When do you expect those elements to be implemented? (Q502)*

The Government's Financial Services Growth and Competitiveness Strategy – including the Leeds Reforms – set out around 30 individual initiatives which the FCA is either wholly, or in partnership with others, taking forward. The Regulatory Initiatives Grid sets out more fully the planned timetable of our policy work.<sup>2</sup>

We have worked at pace since these initiatives were announced and have fulfilled 9 so far, including simplifying insurance rules, reviewing application of the Consumer Duty to wholesale firms, consulting on client categorisation, launching a scale-up unit and the smart data accelerator, and enabling firms to take part in cross-border trade with Switzerland under the Berne Financial Services agreement.

### **Immediate priorities**

This month, we will consult on sustainability disclosures for listed companies which align with international standards, and engage industry on how we can make it quicker for firms to conduct limited regulated activities through a provisional licensing regime.

We are accelerating how quickly we determine regulatory approval for firms and individuals and will report on new voluntary targets for such processes from February.

We will finalise our policy on modernising the redress system in Q1, to better serve consumers and give firms greater certainty to invest and innovate. This is the first step towards a more significant set of reforms, which are dependent on legislative reform.

As part of the Pension Schemes Bill, we are seeking feedback by March 2026 on a value for money framework which will improve the way the workplace pensions industry operates and competes.

In March, we will also publish our roadmap for open finance, and host policy sprints to support the development of a regulatory framework for stablecoins.

### **Wider priorities**

We are taking forward the remaining initiatives as follows:

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<sup>2</sup> <https://www.fca.org.uk/publication/corporate/regulatory-initiatives-grid-dec-2025.pdf>

- Targeted support which will improve the financial help available to consumers, due to go live in April 2026 subject to legislative reform.
- Updating on our review of the remuneration framework for asset managers and investment firms, due in spring 2026.
- Streamlining the Senior Managers and Certification Regime (SM&CR) with a policy statement due in the first half of this year, but with further significant reform dependent on legislation.
- Consulting on changes to the alternative investment fund management rules, due mid-2026.
- Consulting on new rules on captive insurance, due summer 2026.
- Consulting on potential reforms to the market risk framework for small and medium-sized investment firms, due by end 2026, following an engagement paper published in December 2025.
- Reviewing regulation for venture capital funds, due in 2026 but dependent on HM Treasury's proposed approach to venture capital.
- Consolidating the Payment Systems Regulator into the FCA, with timing dependant on legislation.
- Rationalising the financial services regulators' 'have regards' (regulatory principles) and reporting requirements to remove duplicative processes requires legislation.
- Launching our transition finance pilot to identify potential barriers to scaling finance for climate solutions.
- Supporting an industry-led campaign to move away from warning consumers and towards informing consumers about the benefits of retail investment.

In addition, we are actively supporting other measures, which are the responsibility of others, for example an AI Champion for financial services and supporting the use of personal digital ID within the financial services sector. We are also supporting wider work, including legislation to allow captive insurance undertakings to be incorporated as Protected Cell Companies, with the aim for this to go live in mid-2027.

*2) On which matters does the FCA need legislation or HM Treasury assistance in order to fully implement the Leeds Reforms and/or to promote any of your objectives, including the secondary growth objective? (Qq503, 513-514)*

Where significant reform depends on legislation, we seek to sequence our rule changes to align with the expected legislative timetable and, where appropriate, progress in phases, starting with changes that are possible without legislation. For example, we are progressing Phase 1 of the changes to the Senior Managers and Certification Regime (SM&CR) and will move at pace on wider reforms once legislation is passed. However, this phased approach is not always possible or appropriate, for example where the Government or Parliament must first answer key questions, such as the overall regulatory

structure of the financial services complaints system. Whilst we can, in partnership with the Financial Ombudsman Service, take forward immediate improvements to the redress system, we cannot advance the wider reform package until the Government sets out its direction.

Our top asks for legislative change or Government action broadly fall into the following categories. We have a dialogue with the Government on a range of other technical legislative issues which we have not included here. We also provided a report on the mutuals landscape, which included options for potential legislative change which we discussed at the December accountability hearing, and I do not repeat those points here.

### **Ensure new products or services are regulated**

Legislation is nearly always needed to bring new products or services, such as Buy Now Pay Later, into our perimeter. Another example is that we can only issue our final rules on targeted support, which will ensure more consumers can get access to financial help, once Parliament has made it a new regulated activity. We hope that the statutory instrument will be effective by the end of Q1. To support the shared ambition to go live with this new service at the start of the next tax year, we published 'near final' rules in December 2025 and are helping firms to get ready to deliver it.

Other legislative changes needed to help firms operationalise the new regime for targeted support include changes to the Privacy and Electronic Communications Regulations (PECR) to permit firms to communicate with their customers, especially pension scheme members, without breaching GDPR. We are pleased to see that HM Treasury and the Department for Science, Innovation and Technology have agreed to amend these regulations, and we await this legislation.

A well-regulated crypto market has potential to deliver growth. We currently supervise crypto firms for anti-money laundering and counter-terrorist financing, as well as financial promotions, and are working with HM Treasury to bring broader cryptoasset activities into our regulatory perimeter. Through our crypto roadmap and recent publications, we are taking a structured, forward-looking approach to developing a competitive and consumer-protective crypto regime. To progress this, we need legislative amendments to the cryptoasset regime to address issues such as resolution, criminal market abuse, and the change in control regime. These reforms will provide the statutory basis for our Admissions & Disclosures (A&D) framework and the Market Abuse Regime for Cryptoassets (MARC).

Finally, we want to enable a flourishing and sustainable open banking ecosystem that drives competition, innovation and growth in the UK. We can only set rules for open banking once Parliament grants us the necessary

statutory powers under the Data Use and Access Act (DUAA), which received Royal Assent in June 2025.

## **Enhance consumer protection**

As we have outlined in our Perimeter Report,<sup>3</sup> we remain concerned about the misuse of exemptions in the Financial Promotion Order (FPO), which allow some high-risk investments to be marketed to self-certified high net worth (HNW) and self-certified sophisticated investors. Under these exemptions, high risk products can be marketed to retail investors and do not have to even meet minimum standards to be clear, fair and not misleading. Our research showed that significant numbers of consumers incorrectly claim to meet the criteria, and the regime also allows bad actors to pressure consumers into wrongly self-certifying. Removing the consumer self-certification regime and increasing thresholds would therefore strengthen the protection for consumers from misleading financial promotions.

We regulate the providers of pension schemes that are not set up as an 'occupational pension scheme'. As the market continues to evolve and innovate, including in response to the measures proposed in the Pension Schemes Bill, we are working with the Government to ensure that the legislative definitions are clear enough to help stakeholders understand how the regulatory perimeter applies.

## **Fighting financial crime**

Sharing data and intelligence is essential to tackling finance crime. Amending the Economic Crime and Corporate Transparency Act (ECCTA) to broaden the definition of "economic crime" to include insider dealing, and extending Section 189 to cover investment firms for criminal market manipulation and insider dealing, would close an important gap in current information sharing powers. These changes would give authorised firms greater confidence to share details of suspicious individuals when they take safeguarding actions. Changes would also help prevent situations in which firms lack crucial information about suspected customers, improving outcomes for legitimate consumers and strengthening the integrity of the UK financial system.

Scam adverts and illegal online financial promotions undermine growth and erode consumer confidence. The Fraudulent Advertising duties in the Online Safety Act do not capture user-generated content, including posts by influencers, that are paid to be promoted ("sponsored" or "boosted"), allowing them to appear to consumers just like any other advert. Without change to close this gap, consumers remain vulnerable to scammers who can exploit the current rules and cause significant harm. Reforms to the Online Safety Act

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<sup>3</sup> <https://www.fca.org.uk/publications/corporate-documents/perimeter-report>

could also make it easier to share information between regulatory and other partners to fight fraud.

### **Supporting growth and the reducing regulatory burden**

The Payments and E-money Special Administration Regime (PESAR) is currently not delivering on its objectives to speed up and reduce the costs of returning relevant funds to customers of failed payments and e-money firms. Relatively modest reforms to the PESAR could accelerate returns and lower costs, helping build consumer trust.

We have engaged for several years on potential reforms to the Consumer Credit Act and welcome the fact that the Government is now taking this forward. This is a major opportunity to deliver significant reform which will support growth and innovation, while ensuring consumer protection is delivered through a more proportionate, outcomes-focused FCA regime and for Government and Parliament to be clear about the appropriate regulatory risk appetite in these markets. We hope that the Government will stand by ambitious reform, including drawing on experiences from recent or current mass compensation events to close any loophole or prevent any unintended consequences in future.

### **Streamlining our requirements and support us rebalancing risk**

HM Treasury is considering reforms to reduce duplication and require regulators to adopt a more strategic approach to regulation and supervision. We remain committed to transparency and accountability, and support this review, however, we believe that the focus should extend to all 'have regards' relevant to our general functions, including rule-making (around 35 in total), and wherever they appear. This includes the 'have regard' to the principles of the Legislative and Regulatory Reform Act 2006 (LRRRA). Without addressing this, HM Treasury's proposals will fail to deliver improved regulatory agility and responsiveness.

Deep reform to support economic growth requires a better articulation of risk appetite and we have discussed possible metrics to support this. While we have shared initial ideas on the types of metrics that could be used, we would welcome the Government setting out in more detail its position on risk in the system, tolerance in relation to potential harm to consumers, and impacts on market integrity.

As we explained at the Committee in December 2025, we are seeking to future proof our regulation through taking an outcomes focused approach. We know that an overly prescriptive approach risks becoming dated very quickly. There are numerous examples where a historic approach to legislation has meant that we cannot now reform at the pace that the system wants. For example,

the most significant changes to SM&CR cannot be made without legislation even though there is agreement between regulators and the Government to reduce the number of certified roles and replace the certification regime. Equally, there are plenty of other cases where very prescriptive requirements have been set for consumers - mandating the precise form of disclosures in ways which no longer support effective consumer decision making.

As we seek to deliver on the Government's ambition for regulatory reform – the system needs to work together and future proof our approach where possible. Given the pace of change in financial markets, sometimes, what is needed is not known until a new approach can be tested. The Digital Securities Sandbox (DSS) – established via the Financial Services and Markets Act 2023 – is a novel approach to enable legislation to be amended, for a limited period, to allow new approaches to be tested and go live before a new legislative framework is finalised. This allows appropriate safeguards to then be finalised once new market propositions have been tested.

We are increasingly co-creating rules with relevant stakeholders through policy sprints – taking this approach for targeted support and mortgage reform. The DSS enables a similar approach for legislation – so that final legislation is informed by experimentation and practical use cases.

More broadly, it can be beneficial when the Government announces new initiatives that they are accompanied by a clear and detailed roadmap, thereby providing clarity to industry and regulators on how to proceed and expected timetables, so as not to have the unintended consequence of slowing down other work that may be going on in the sector or by regulators.

*3) What is the timeframe for the FCA's planned work on the withdrawal of funeral protection plans by Maiden Life, an insurer? Can you also provide any further details on this work? (Qq471-472)*

We recognise the distress people have experienced because of the withdrawal of Maiden Life's family protection plan.

As our Deputy Chief Executive set out in December, this plan was a group life insurance policy, not a savings product. Payments were used to provide insurance protection, not to build up savings or a cash balance.

The plan has been closed to new business since 2009. Maiden Life took on the underwriting of the plan in May 2022 on a 3-year contract. It subsequently decided to stop offering life insurance in the UK and, in line with contractual obligations with CMutual, it gave the required 6 months' notice of termination in 2024. To give CMutual additional time to source alternative cover, Maiden Life supported the product for a further 6 months beyond the end of their original contract, ceasing underwriting of the cover on 30 November 2025.

We are focused on:

- Engaging with relevant parties to understand how they are mitigating the risk of harm to consumers.
- Examining the conduct of all firms involved in the manufacture and distribution of the product, including credit unions and whether they met the FCA rules and obligations that applied at relevant times. This includes: the Product Intervention and Product Governance Sourcebook (PROD), the Consumer Duty (from when it was introduced in 2023) and the Credit Unions Act 1979.

We expect to complete our initial review by the end of February 2026, given the complexities and historic nature of some of the communications between CMutual and the 71 affected credit unions. We will update the Committee once that work is completed.

Yours sincerely,

**Nikhil Rathi**  
**Chief Executive**