

UK Individual Shareholders Society (ShareSoc) and UK Shareholders Association (UKSA) – Written evidence (EGC0007)

Introduction

ShareSoc and UKSA are the principal not-for-profit organisations representing the interests of individual investors in the UK, collectively representing some 28,000 members and followers.

We previously responded to the FCA's consultation and you can read the details of our response here: [FCA Consultation on Enforcement Practice & Transparency - ShareSoc](#)

We were concerned to read your committee's letter to the CEO of the FCA as it is contrary to our views.

FCA's Purpose

The FCA's role, as set out on its website and summarising its statutory obligations as set out in the Financial Services and Markets Act is:

"Financial markets must be honest, competitive and fair so consumers get a fair deal. We work to ensure these markets work well for individuals, for businesses, and for the growth and competitiveness of the UK economy."

We understand that the principal duty of the FCA is to protect the interests of consumers and ensure market integrity. Whilst it also has a duty to promote competition in financial services markets, in the interests of consumers, this should not override its consumer protection responsibilities. It is not there to protect the interests of the financial services industry.

Views and Experience of Consumers (our members)

There is currently very little trust by our members, and others, that the FCA is fulfilling its duty to consumers effectively. There have been too many scandals and too much consumer detriment that seemingly goes unpunished.

Some recent examples include the Woodford Equity Income Fund, the case of Sirius Minerals, Carillion, Conviviality, Patisserie Valerie, Torex Retail, Quindell, Globo, LCF, Blackmore Bonds, Wellesley, [Basset & Gold \(B&G\)](#). In all these cases investors lost large sums of money, with little redress/recourse and the parties principally responsible seem to have gone largely unpunished.

This perception damages trust in the financial services industry as a whole and discourages productive investment of individuals' savings, to the detriment of the UK economy. A particular issue is that when persons raise complaints or concerns with the FCA regarding potential misconduct, the only response received is an acknowledgement. Due to the FCA's current enforcement and transparency policies, the complainant has no idea whether their complaint is being investigated nor of the outcome of any investigation.

As well as damaging confidence in the FCA these current policies deter potential reports of suspected regulatory breaches which may result in more consumers being harmed.

This contrasts with the approach of other UK authorities which do make disclosures about the opening of an investigation. These include OFCOM, CMA, FRC, OFGEM, OFWAT and the Serious Fraud Office. In certain cases the police disclose investigations and the FCA regularly cooperates with different police forces on criminal investigations. This is in accordance with the [Victim's Code](#), enshrined in the Domestic Violence, Crime and Victims (DVCV) Act 2004. Note that FCA is also subject to this code.

It should also be noted that in many cases the media knows and publicises the names of companies that are the subject of an investigation and or are likely to be heavily affected by the anticipated outcome of an investigation. For example, Close Brothers, Lloyds Banking Group, Barclays and Santander have all been caught up in current publicity surrounding the FCA's decision to launch an investigation into historic commission agreements that have allegedly led to consumers overpaying in deals dating back to 2007.

Renowned consumer champion, Martin Lewis, recently conducted an online poll to assess the public's views on the FCA's proposals. You can view this poll here: <https://twitter.com/MartinSLewis/status/1787780688277647439>. The poll received 15,000 responses, with well over 80% in favour of greater transparency from the FCA.

The FCA has been careful to be professional and has not used the words "name and shame". That has been an interpretation used by the media and the financial services industry itself and has been used to drum up opposition to what we think is a sensible step. What the FCA said is "publishing the identity of the subject of the investigation, if we assess that it is in the public interest to do so and if there are no compelling legal or other reasons not to." I.e. it is clear that the FCA will be judicious in making the subjects of investigations public and will only do so, where it believes that it is in the public interest.

We also believe that it is primarily up to the financial services industry and its members to look after their own reputations. The regulator has a responsibility to protect the reputation of the industry as a whole.

We also note the FCA's comment (25 April letter) that whistleblowing is a key channel of intelligence for their supervisory and enforcement work, and that the current disclosure proposals will encourage whistleblowers to come forward and help protect consumers from further harm. Even so, whistleblowing protection is currently poor, is a separate and important issue, and should be addressed by the regulators as a matter of the highest priority.

We therefore welcome the FCA's proposals to increase the transparency of their investigations, which should improve confidence in their effectiveness and hence that the financial services industry is well regulated and can be trusted.

Conclusion

We hope that the Committee will consider our views and support the FCA's proposals to increase the transparency of their investigations. We would be delighted to appear before the Committee to explain our evidence further, should you so wish.

13 August 2024