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Future Regulatory Framework Review  
Financial Services Strategy  
HM Treasury  
1 Horse Guards Road  
SW1A 2HQ

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Submitted online: [FRF.Review@hmtreasury.gov.uk](mailto:FRF.Review@hmtreasury.gov.uk)

Dear Sir / Madam,

**Financial Services Consumer Panel response to HM Treasury's Call for Proposals: Financial Services Regulation: Measuring Success**

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK. While the Panel's focus is predominately on the work of the FCA, we are responding to this Call for Proposals from HM Treasury because it directly relates to how the FCA will discharge its statutory objectives (both primary and secondary).

Our starting point when considering the implementation of the secondary international competitiveness and growth objective (SICGO) is that it does not change the FCA's overall approach. The FCA should continue to act in accordance with its primary objectives and only once these objectives have been met should it seek to pursue the SICGO. This approach is consistent with the PRA's approach to its existing secondary objective and necessary to avoid any actual or perceived trade-off between the SICGO and the primary objectives.

As the Consumer Panel, we are mainly concerned with the FCA's primary consumer protection objective, but we refer throughout this response collectively to the FCA's primary objectives.

Our response below addresses the 2 questions posed in the consultation in reverse order.

## **Measurement and monitoring of the implementation of the SICGO (question 2)**

How the success of implementing the SICGO is to be measured will no doubt impact the actual implementation itself. Therefore, the metrics and monitoring of the SICGO have an important role to play in securing the intended hierarchy of primary and secondary objectives. With this in mind, we believe that all metrics used to monitor the implementation of the SICGO should include the impact of the objective on the primary objectives rather than solely on competitiveness and growth as ends in themselves.

We broadly support [FCA's published approach to the SIGCO](#) and its measurement. In particular, we endorse the focus on the long-term growth of the whole UK economy, and the identification of 7 productivity drivers that impact that. We do not support the provision in the Bill that FCA (and PRA) must consider "in particular the financial services sector" in this context, but the FCA's proposed framework is a reasonable starting point. It helpfully frames many measures in terms of the impact on consumers. The Panel believes that all costs and benefits of pursuing the SICGO must be framed as costs and benefits *to consumers*, even where the initial impact is on regulators or firms. This will 'design in' the FCA's stated approach that it will only consider actions to pursue the SICGO once the consumer protection objective has been fulfilled.

For example, on the FCA's [webpage about how it will implement the SICGO](#), it lists operational efficiency of the FCA as one of the 7 drivers of productivity. The FCA correctly recognises that its own operational efficiency can facilitate firms' productivity and the ease/attractiveness of doing business in the UK. But it should go further and explain what this means for consumer protection – e.g. firms' productivity and UK presence is a good thing because it likely gives consumers more choice of provider, access to international innovations and better functioning capital markets more likely to deliver better returns on long term investments.

The same can be said for the 5 drivers for UK financial markets: - effective competition, innovation, trust, stability and international leadership: these things are all attractive concepts to the extent that they promote – or at the very least do not degrade – consumer protection.

In order to measure the impact on consumer outcomes as outlined above, the FCA will need to accelerate its progress on developing [outcomes and metrics](#) so that it can baseline outcomes under its primary objectives. Only then can it effectively measure change and the impact of the SICGO. This is particularly important with the advent of the Consumer Duty. We have already discussed the FCA's approach to outcomes and metrics with

them – both about the Duty and more widely – and stand ready to offer further input to help them develop robust consumer-focussed metrics.

Once the FCA has determined which metrics it proposes to use to measure the SICGO, it should consult on them.

### **Clause 37 power of direction (question 1)**

We note that the clause 37 power of direction allows HM Treasury to require the FCA to publish *any* information, not just that relating to the SICGO. Our comments on this power should be considered with this in mind.

As we have said in previous consultation responses on the Future Regulatory Framework<sup>1</sup>, the independence of regulators is critical for the stability of – and consumer confidence in – the overall regulatory system. Where HM Treasury is given new powers that could undermine this regulatory independence, there must be appropriate safeguards around the powers' usage.

We are generally supportive of the safeguards outlined in the consultation paper, but these could be strengthened by a requirement for HM Treasury to, in any direction to the FCA, demonstrate explicit consideration of the impact of that direction on consumers and SMEs (even where that impact is felt to be null). This could form part of HM Treasury's assessment of whether the direction would have an adverse effect on any of the FCA's other functions.

In order to inform this consideration of the impact on consumers, we also believe that HM Treasury should *always* engage with consumers – not just 'where appropriate' as stated in para 2.11 of the consultation. This is because, as explained above, the consumer protection objective takes precedence over the SICGO. In the interests of transparency, and fostering and maintaining trust and confidence in financial services and its regulation, this engagement should be made public.

We would also draw your attention to the Panel's previous thinking on the SIGCO, outlined in:

- [Our feedback to the FCA on their approach to implementing the Future Regulatory framework](#) (December 2022)

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<sup>1</sup> See, for example, [https://www.fsc.org.uk/sites/default/files/final\\_fscp\\_response\\_hmt\\_frf\\_proposals\\_for\\_reform\\_20220209.pdf](https://www.fsc.org.uk/sites/default/files/final_fscp_response_hmt_frf_proposals_for_reform_20220209.pdf)

- [Our response to the Public Bill Committee's Call for Evidence on the Financial Services and Markets Bill](#) (October 2022)
- [Our response to HM Treasury's Future Regulatory Framework Review: proposals for reform](#) (February 2022)

Yours sincerely,

Helen Charlton

Chair, Financial Services Consumer Panel