

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

18 December 2023

By email: [CP23-20@fca.org.uk](mailto:CP23-20@fca.org.uk)

Dear FCA,

**Financial Services Consumer Panel response to CP23/20: Diversity and inclusion in the financial sector – working together to drive change**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA’s consultation on Diversity and Inclusion (D&I). We believe that improving diversity, inclusion, and intersectionality within UK financial services, at all levels, will help to deliver better outcomes for consumers and market participants, providing that there is a shared understanding of good practice, with consistent implementation and effective oversight of such.

The Panel recognise and support the FCA’s ongoing efforts to improve culture in financial services and uphold honesty and integrity in both firms and senior individuals. We welcome its proposals on D&I as building on this important work.

Whilst the Panel is not responding to the individual questions in the proposal, which seem to be aimed primarily at industry respondents, we outline our key messages below:

**Delivering good outcomes for consumers**

The Panel supports the FCA’s view that the Consumer Duty and the D&I proposals are ‘aligned and mutually reinforcing’ and agree that improving D&I within financial services firms will help to achieve Consumer Duty objectives. To deliver good outcomes for retail consumers, firms must consider the diverse needs, abilities, and characteristics of consumers, particularly those in vulnerable situations.

Whilst the Panel is supportive of this proposal’s ambitions, we stress that there is much to do across the sector, to address issues such as the gender pay gap, diversity of gender, ethnicity, and socio-economic backgrounds, as well as the need to embrace cognitive diversity and neurodivergence. For example:

- **Gender pay gap** - The UK financial services sector has the widest gender pay gap of any UK sector - 27% compared to a national average of 12%.<sup>1</sup>
- **Gender** - Only 19% of C-Suite are women, according to a recent Deloitte study<sup>2</sup>. Only 12% of fund managers are women, according to a CityWire Alpha Female Report<sup>3</sup>.
- **Disability** – There is evidence<sup>4</sup> that disability is associated with higher levels of inequality across the labour force which indicates that finding and retaining work when disabled is a challenge.
- **Social mobility** - 9 out of 10 senior roles in financial services are held by those from higher socio-economic backgrounds and those from lower socio-economic backgrounds take 25% longer to progress, despite no evidence of poorer performance.<sup>5</sup>
- **Neurodivergence** – 1 in 5 of UK adults are neurodivergent and 1 in 100 are diagnosed with autism. Yet only 21.7% of autistic adults access full time paid employment and, of those, job satisfaction is 20% lower than other employees<sup>6</sup>.

### Consumer impact

The Panel believes that the current lack of D&I in financial services could be contributing to negative outcomes for UK consumers. A lack of diversity amongst decision-makers can lead to blinkered thinking where the diverse range of consumer needs, circumstances and experiences is not considered. This can lead to services not being designed inclusively, and consumers experiencing harm, indirect discrimination, or missing opportunities as a result. The following examples illustrate some of the potential impacts:

- The FCA Financial Lives survey 2022<sup>7</sup> shows that consumers from minority groups experience unequal outcomes and barriers to access, from basic bank accounts to access to venture capital funding. For example, over 50% of people with disabilities have trouble dealing with providers, and disabled applicants for current or basic accounts are twice as likely to be refused.

---

<sup>1</sup> <https://www.pwc.co.uk/services/human-resource-services/gender-pay/gender-pay-gap-and-diversity-in-financial-services.html>

<sup>2</sup> <https://www.deloitte.com/global/en/our-thinking/insights/industry/financial-services/gender-diversity-in-global-financial-services.html>

<sup>3</sup> <https://citywire.com/investment-trust-insider/news/female-fund-manager-numbers-stall-at-just-12-1-citywire-reveals/a2425412>

<sup>4</sup> <https://blogs.lse.ac.uk/businessreview/2022/03/31/disability-inclusion-at-work-the-many-not-the-few/>

<sup>5</sup> <https://www.thebridgegroup.org.uk/news/seb-in-finance>

<sup>6</sup> <https://www.autism.org.uk/what-we-do/news/new-data-on-the-autism-employment-gap>

<sup>7</sup> <https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2022-key-findings.pdf>

- Insight<sup>8</sup> from Fair by Design and Citizens Advice illustrates that those from a lower socio-economic background face barriers to getting insurance or have to pay more for it, perhaps because they live in certain postcodes, come from ethnic backgrounds, or have unusual surnames.
- A report<sup>9</sup> from the Money and Mental Health Policy Institute in Spring 2022 showed that only 29% of people with mental health problems say that essential service providers, including financial services providers, meet their needs.

Employing staff with a wide range of knowledge, skills and experiences, and from a range of socio-economic backgrounds will help firms to inform improvements and deliver inclusive services that meet consumers' diverse needs and abilities. The attraction and retention of employees with these attributes, is particularly important as financial services markets are forced to respond to current challenges and opportunities, such as AI, ESG and an ageing society.

### **Good practice for firms**

In the current market, with around 60,000 firms of various sizes and all at very different stages on their D&I journey together with the ongoing regulatory change agenda, the Panel supports the FCA's proposed proportionate approach to small and large firms, with the threshold set at 250 employees.

#### Proposals for small firms

Whilst the Panel support the proposals laid out within this consultation, we believe that there should be an expectation on smaller firms to do what they can, with the resources they have, to demonstrate their commitment to diversity and inclusion. For example, signing up to the Disability Confidence Scheme and mandating training, related to D&I and the Equality Act, for all colleagues, but specifically those with Senior Management Functions.

#### Proposals for firms of any size

The Panel appreciate the FCA's efforts to better integrate non-financial misconduct (NFM) considerations into staff fitness and propriety assessments, Conduct Rules and the suitability criteria for firms to operate in the financial sector (Threshold Conditions).

The Panel agree that the FCA should consider D&I issues as a non-financial risk and that these should be treated appropriately within firm governance and decision-making structures.

---

<sup>8</sup> <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/citizens-advice-sounds-the-alarm-on-280-car-insurance-ethnicity-penalty/>

<sup>9</sup> <https://www.moneyandmentalhealth.org/money-and-mental-health-facts/>

A culture and environment that promotes diversity and inclusivity is as important as a firm's systems and processes. Whilst the FCA's statements in relation to what constitutes 'non-financial misconduct' are somewhat helpful, the Panel suggest that additional clarification is required and follow up guidance or training for firms (e.g., webinars) would be beneficial to enhance understanding.

In terms of fitness and propriety, the Panel welcome the FCA's recognition that bullying and similar misconduct within the workplace is relevant to fitness and propriety, and that similarly serious behaviour in a person's personal or private life is also relevant.

#### Proposals for large firms

Consistency of understanding and approach is important to deliver good outcomes for consumers, and the Panel agree that there should be minimum standards for firms, related to the following:

- 1. Diversity and Inclusion strategies** – to set out Board responsibilities, objectives and goals, plans and measures, obstacles and how they will be overcome, and how staff awareness will be raised.

As best practice, in terms of implementing their strategic goals, the Panel would like to see firms conducting a review of their existing systems and processes, to identify areas of improvement and develop practical plans of action to address these issues. We also highlight the value of firms seeking feedback from existing and prospective employees, and customers, about their experiences to inform strategies and improve D&I within the organisation.

The Panel agrees that it would be valuable for firms to set targets for underrepresented groups at Board, senior management, and all staff levels. Alongside this, the Panel would encourage the FCA to ensure firms take a cautionary approach to setting such targets in order to ensure they do not lead to positive discrimination for underrepresented groups to ensure they are provided with the correct and relevant support to enable them to undertake their role. Whilst the FCA has not mandated those targets on the basis that no one size fits all, we agree that there should be a clear expectation on firms to set their own targets whilst focusing on a more diverse and inclusive advertising and selection process. The Panel would also encourage firms to provide a rationale for the targets they have chosen.

- 2. Data collection and reporting** – the Panel support the proposal that firms should gather data, as a minimum, related to mandatory characteristics which cover age, sex or gender, disability and long-

term health conditions, religion, and sexual orientation – with other characteristics collected on a voluntary basis.

However, the Panel would like to raise some important points around data collection. We urge careful consideration of criteria used for data classification to ensure that data is able to capture the complex realities of employees' individual characteristics and circumstances.

Neurodiversity is an important aspect of D&I. We are concerned that neurodivergent employees may (quite rightly) not identify themselves as having a 'disability or long-term health condition' under the Equality Act definition. For the purposes of data clarity and completeness we recommend that neurodivergence be drawn out as a specific data point.

In developing its final proposals for firms, we would like to draw the FCA's attention to the Inclusion Measurement Guide, published by the Financial Services Skills Council (July 2022)<sup>10</sup> which provides valuable and practical guidance on inclusion metrics, including types of data to collect and survey questions to ask employees.

In terms of disclosure, the Panel recognise the challenges and agree that it is important for individuals to have a right to choose which information they are happy to share with their employer, or not. Individuals are more likely to share this information if firms can explain how it will be used, stored and how it may be valuable to improving diversity and inclusion for others.

The Panel support the proposal for annual reporting and the intention for firms' data to be made public to improve transparency and accountability. We believe that this will help to improve consumer understanding, confidence and trust.

As a final point, we would like to stress that delivering on these objectives is likely to require a significant shift in cultural mindset for many firms, so it is important that they should be required to demonstrate the measures they have taken to embed D&I throughout their organisation and translate written strategies into meaningful actions.

Yours sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel

---

<sup>10</sup> <https://wp.financialserviceskills.org/wp-content/uploads/2022/07/FSSC-Inclusion-Measurement-Guide-updated.pdf>