

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: [cp23-31@fca.org.uk](mailto:cp23-31@fca.org.uk)

Dear Sir / Madam,

## **Financial Services Consumer Panel response to FCA consultation on Primary Markets Effectiveness Review: Proposed Equity Listing Rule Reforms**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the next iteration of the FCA's consultation on Primary Markets Effectiveness Review: Proposed Equity Listing Rule Reforms.

The Panel are of the opinion that not all the questions within the Consultation Paper are relevant for the Consumer Panel to comment on. In summary, however, the Panel remains unconvinced of the need for, and benefit from, these proposals due to the adverse impact on existing consumer protections and the uncertainty of any consumer benefit, however as the FCA appears to be progressing with these proposals the Panel would urge the FCA to consider the following:

### **Consumer protection**

The Panel continues to stress that the FCA's consumer protection objective, as a primary objective, must take precedence over the international competitiveness objective and there must not be a 'trade off'.

The Panel also notes in 2.29 that FCA states they

*"...seek to balance investor protection with access to a potentially wider range of investment opportunities by focusing on ensuring sufficient, timely disclosures that allow investors to make informed investment decisions"*

The Panel is still of the view that the FCA has not quantified the benefits to, and additional risks for, consumers. Indeed, there are only two benefits listed in 157 (p.184) for investors. Whilst the Panel agrees that a more innovative and productive economy should present overall benefits for consumers, we continue to urge the FCA to create the right balance between the benefits offered to firms and those experienced by consumers.

### **Consumer lens**

The Panel would urge the FCA to ensure all policy changes, affecting upstream markets, or activities which nevertheless impact consumers, are considered through the lens of consumer protection and the degree to which the policy changes either increase or reduce the possibility of harm. In our view the CP focuses too much on the benefits (what few there are) to existing consumer investors and does not focus enough on the impact (i.e.,

the removal of protections, the reduction in communications, the potential increases in risks) to existing investors.

Our specific points are:

- **Lack of outcomes measures:** The Panel notes that there are still no explicitly measurable outcomes associated with this reform. It is therefore not clear how this will be assessed and labelled as a success or failure.
- **Lack of Contingency:** Following any future evaluation, it is difficult to see how, if these changes prove ineffective, they could be reversed.
- **Governance risks and failures:** The Panel is extremely concerned that well-established consumer protections and rights are at risk of being removed. These protections and rights have been hard-earned by investors in equities or via funds and pensions following a series of scandals and failures that have caused consumer harm as well as damaging the reputation of London's capital markets.
- **Balance of Burdens:** The Panel remains unconvinced that the perceived low level of listings activity is mainly due to regulatory burden (it is one of many, and not the primary, reason in the research cited in the cost benefit analysis). The Panel is of the view that to present investments (whether equities or funds) to consumers should be well regulated and controlled and should balance consumer risks and rewards. There should be a burden to listing, the hurdle should be set at a level which prevents some from listing. The Panel believes the current balance is appropriate, any shift in this balance should be (a) carefully considered and (b) closely monitored.
- **Safeguards:** The proposed changes are being advocated by the London Stock Exchange, a private monopoly, and firms who stand to benefit immediately and immeasurably.  
Should the proposed changes be implemented, the rights of consumers that directly buy or hold listed shares that are currently in the Premium Listing category would be reduced, without their consent. Whilst these changes may appear technical, for some investors these rights are important, and these changes will have a negative impact if consumer rights are reduced. The voice of the consumer is heavily reliant on the FCA exercising its duty as the consumers' regulator with a primary objective to protect consumers. Only when consumer protection is ensured can the secondary objective of international competitiveness and growth be considered. We therefore urge the FCA to consider how any reduction in consumers' rights and protections will be mitigated in this policy.

### **Consumer behaviour/understanding and communication of policy changes**

The Panel notes that the latest Consultation Paper **still** has no details or analysis of current investor (consumer) behaviour regarding the areas of policy change or evaluation of the importance investors place on these rights. The Paper does however list research detailing the reasons and inhibitors to Listing.

The Panel would encourage the FCA to err on the side of caution and not make any changes if sufficient consumer insights into the current situation and the impact of any proposed changes cannot be gained. The Panel would expect the FCA to research and understand consumer attitudes and behaviour before progressing to amend any policy.

The proposals still do not consider the important issue of the communication to shareholders of changes and reduction in shareholder rights. The FCA states in 1.13 that they "have heard from investors that the existing approach to disclosure is valued and underpins the culture of transparency and accountability in UK capital markets reinforcing

*the UK's attraction as a venue for issuers and investors".* It is therefore crucial that the FCA communicate how this culture of transparency and accountability will be maintained, especially through the transition period.

The Panel expects the FCA to fully understand, and take account of, the views (and concerns) held by consumers, consumer groups and institutions that invest on behalf of consumers, such as pension funds.

The Panel would also encourage the FCA to consider its response<sup>1</sup> to the previous iteration of the FCA's consultation on Primary Markets Effectiveness Review: Proposed Equity Listing Rule Reforms.

Yours sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel

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<sup>1</sup>[https://www.fca.org.uk/panels/consumer-panel/publication/20230714\\_final\\_fscp\\_primary\\_markets\\_effectiveness\\_review\\_response.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/20230714_final_fscp_primary_markets_effectiveness_review_response.pdf)