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Bank of England
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24 September 2021

By email: dp2_21@bankofengland.co.uk

Dear Sir/Madam,

Financial Services Consumer Panel response to DP21/2: Diversity and inclusion in the financial sector –working together to drive change

The Financial Services Consumer 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.

We welcome the opportunity to respond to the FCA, PRA and Bank of England's joint discussion paper on diversity and inclusion in the financial sector. This is an important and urgent issue which has real consequences for consumers. We agree that diversity of thought, when part of an inclusive environment where everyone feels involved, valued, respected and treated fairly, will support the improvement of consumer outcomes.

When talking about diversity, regulators should encourage firms to think beyond the protected characteristics set out in the Equality Act. There is a much broader range of characteristics that need to be considered when creating diversity of thought, including socioeconomic background, education and experience.

As well as diversity and inclusion, firms should focus on intersectionality. To date, initiatives to improve diversity have tended to be siloed, focussing on just one or two characteristics at a time. But we know that people are complex and their experiences and needs are shaped by who they are in the round, rather than any one individual element. Firms must take this into account when improving diversity and inclusion within their firms and when dealing with their customers.

The consultation highlights several potential benefits to consumers resulting from a more diverse and inclusive financial services industry. We agree that a greater focus on diversity, inclusion and intersectionality in the financial sector should:

- Help to address the greater risk of harm caused to certain groups and prevent further entrenchment of existing inequalities caused by the Covid-19 pandemic.
- Improve firms' decision making and risk management, as staff can have more open debates. This contributes to the safety and soundness of firms, which in turn enhances trust in individual firms and the financial sector at large.
- Improve firms' understanding of the needs of their diverse customer bases. This should make products more suitable for, and firms' processes more accessible to, all consumers.

This final point is especially important and goes hand-in-hand with the FCA's expectations of firms under its proposed [new Consumer Duty](#) and its [guidance on the fair treatment of](#)

[vulnerable customers](#). In our responses to both these policy initiatives¹, we called for firms to do more to bring the consumer voice into their decision making and ensure that they design products that address real, lived experiences. This detailed understanding should drive firms' decisions and inform an inclusive design approach whereby firms consider the best interests of *all* consumers, including those in vulnerable circumstances, at every stage of what they do – from product and service design, through to delivery and post-contract service.

We note that the discussion paper focusses particularly on accelerating the pace of change at Board level. From a consumer-focused perspective, an important aspect of this will be diversity of interests represented at Board level – which should go beyond the interests of shareholders to include consumers' interests too. For this reason, we called for the new Consumer Duty to be owned at Board level, supported by clear personal accountability with a single person accountable for consumer outcomes (and therefore compliance with the Duty) under the Senior Managers & Certification Regime. This should give consumer outcomes the same precedence as issues such as shareholder returns, risk, audit, remuneration, financial performance and strategy etc.

However, changes at Board-level will not be enough on their own to deliver real change. As we did in response to previous regulatory initiatives to improve culture in financial services, we urge caution against relying on top-down programmes of change². Positive change should be made at all levels within firms, not just in the boardroom. Whilst Board and senior management make important strategic decisions that can improve outcomes for consumers, more junior staff are often leading (or designing, if a firm is digital-only) the day-to-day interactions with consumers. These staff therefore have a critical role in delivering the benefits listed above to consumers.

Finally, we encourage the FCA to take this opportunity to remind firms of the range of duties and obligations they are subject to under the Equality Act, particularly the anticipatory duties. Firms should consider how to discharge these duties throughout their interactions with consumers. This will form an important part of compliance with the new Consumer Duty.

We look forward to further engagement on this important issue as the regulators' policy develops.

Yours sincerely,

Wanda Goldwag
Chair, Financial Services Consumer Panel

¹ For our response to the new Consumer Duty proposals, see here: https://www.fs-cp.org.uk/sites/default/files/final_fscp_response_cp21-13_a_new_consumer_duty_20210729.pdf
For our response to the guidance consultation on the fair treatment of vulnerable customers, see here: https://www.fs-cp.org.uk/sites/default/files/final_fscp_response_to_gc20-3_guidance_for_firms_on_the_fair_treatment_of_vulnerable_customers.pdf

² https://www.fs-cp.org.uk/sites/default/files/fscp_final_response_to_driving_purposeful_cultures_20200414.pdf