



Email: enquiries@fs-cp.org.uk

30 April 2025

By email: CP4_25@bankofengland.co.uk

Financial Services Consumer Panel response to the Prudential Regulation Authority's (PRA) proposals in relation to the Bank Resolution (Recapitalisation) Bill (the Bill)

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individuals and Small and Medium-size Enterprises (SMEs), hereafter generally referred to collectively as consumers, in the development of policy and regulation of financial services in the UK.

Our focus is predominantly on the work of the FCA, but we are responding to this consultation paper as the proposed change potentially impacts the FCA's work and the protections afforded to consumers of financial services. The Panel notes the PRA is also currently consulting on proposals in connection with the limits of protection available from the Financial Services Compensation Scheme (FSCS). The Panel will respond to that consultation separately.

The Panel is broadly supportive of the policy intention behind both the Bill and consequent proposals by PRA. We note that in the event a small or smaller bank were to fail, rather than allowing a disorderly insolvency process, it may well be beneficial for the Bank of England (the Bank) to exercise its power under the Special Resolution Regime. We can see that in such circumstances, the overall financial burden may be significantly reduced were a FSCP levy to be used to facilitate the recapitalisation of the failed bank compared to a situation where many consumers were seeking compensation under the FSCS depositor protection regime.

However, the Panel would like to make three general points in relation to the proposals.

1. The Panel would be concerned if the new FSCS recapitalisation levy could lead to a reduced level of protection for consumers under the FSCS depositor protection regime. We consider the protection available in relation to the latter should be ringfenced. However, it is

not clear that this is the case. For example, it would seem that the current maximum aggregate amount that the FSCS could levy in any one financial year in relation to the FSCS depositor protection regime could be reduced by the amount of any new recapitalisation levies imposed. If the protection available under the FSCS depositor protection regime is not fully ringfenced then the Panel considers that, as a minimum: (i) the FSCS should be required to inform the Bank where it considers a recapitalisation levy may lead to a reduction in consumer protection through the FSCS depositor protection regime; and (ii) the Bank should be required to factor this advice into its decision regarding whether to call on a recapitalisation levy.

2. The Panel notes the proposed FSCS recapitalisation levy is only intended to be imposed ex-post. The Panel supports this approach. Nonetheless, the Panel notes that the firms who could be subject to such levies are likely to incorporate into their cost of business the potential costs of those levies. Ultimately, this is likely (at least to some degree) to be passed onto consumers, including in circumstances where, in practice, there are no such levies imposed. Accordingly, the Panel would encourage the PRA to consider what action it can take, including through the working with others, to ensure that there are no unintended consequences of the proposed policy, and no inappropriate costs passed onto consumers.
3. The Panel notes that the current role of the FSCS is (a) well-understood by some consumers and (b) is easy for other consumers to understand when they are made aware of it. Its proposed role in relation to recapitalisation levies would represent a significantly different role. To the extent it is necessary to inform consumers about the proposed extended role of the FSCS (which, we note, we remain to be convinced is necessary), we would urge the PRA to carefully consider how this is messaged to consumers. It would be disappointing if consumer understanding of the important role played by the FSCS was negatively impacted by more complex or ill-thought through communications.

Yours sincerely,

Helen Charlton
Chair of the Financial Services Consumer Panel