



Email: enquiries@fs-cp.org.uk

15 September 2026

By email: cp26-27@fca.org.uk

Dear Sir/Madam,

**Financial Services Consumer Panel response to FCA's CP26/27
Remuneration: solo-regulated firms' rules reform.**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper entitled "Remuneration: Solo-regulated firms' rules reform" (the CP). We are an independent panel that represents the interests of consumers of financial services including both individuals and small businesses. Our focus is on the outcomes and impacts to these stakeholders.

The Panel generally supports measures that seek to reduce regulatory costs on firms where these stem from FCA Handbook rules that are overly complex or duplicative. We would hope that, on the whole, the streamlining and simplification of the existing rulebook would lead to greater understanding and compliance (and thereby leading to better outcomes for retail customers) and reduced costs for firms (that should be passed on to retail customers in the form of lower prices).

That said, the Panel has significant concerns regarding the proposals set out in the CP.

There have been many examples in recent years where poor remuneration policies have directly or indirectly led to significant consumer harm. This includes, for example, the British Steel Pension mis-selling scandal. The current motor finance redress workstream also demonstrates the clear link between poor commission structures and consumer harm.

Given the clear link between poor practice and poor consumer outcomes in the area of remuneration/payment structures, we think the FCA should adopt a very high threshold for intervening to introduce widespread policy changes. We do not believe there is currently sufficient justification for the FCA to implement the fundamental and wholesale changes to the regulatory regime proposed in the CP.

The Panel recognises that under the proposals:

- Larger firms, which pose the more systemic risks to consumers, will be subject to the largest degree of scrutiny;
- The FCA is considering whether to introduce guidance to support the implementation of the proposals (but note this is not currently an expected outcome); and
- Other aspects of the regulatory toolkit, such as the Consumer Duty, FCA supervisory and enforcement activities should help contribute to the maintenance of existing consumer protection measures.

However, we also note that numerous smaller firms will not be subject to the new rules at all, while certain employees currently deemed to hold higher risk roles will not be subject to the same level of scrutiny going forward.¹

Overall, we think the proposals and the associated cost benefit analysis significantly underplay the risks to consumers from the proposals. It is notable that the discussion in the cost benefit analysis on the potential cost savings to firms runs to numerous pages and significantly dwarfs the discussion on the associated risks (at around half a page). We note the CBA Panel has made similar comments in its review of the proposal's cost benefit analysis, noting the lack of depth in the assessment in this regard. We think it is disappointing the FCA does not seem to have properly engaged with the CBA Panel's views.

In particular, the Panel is concerned that the FCA has not fully factored in:

- Failures in remuneration policy can lead to significant consumer harm even though there may not be a systemic market risk.
- Even where at an aggregate level consumer harm may be at a relatively modest level, the concomitant harm at an individual consumer level can be life-changing;
- The importance of ensuring that all firms, irrespective of size have appropriate safeguards in place;

¹ For the avoidance of doubt, the Panel does not object to a tiered approach to regulation, with higher risk individuals subject to greater levels of scrutiny.

- Not all firms are well placed to interpret flexible, outcomes focused rules effectively – especially in the absence of suitably detailed guidance;
- Where firms fail to meet expected standards, consumers may well suffer harm before any shortcomings have been identified.

In conclusion, while we are supportive in principle of combining the three current remuneration codes into a single code of practice, and supportive of proportionate regulation, the Panel has significant concerns.

Unfortunately, we cannot support the current proposals without a greater degree of comfort that the risks to consumers have been properly understood and appropriately weighted against the reduction in compliance costs expected.

Yours sincerely,

Chris Pond
Chair, Financial Services Consumer Panel