



Email: enquiries@fs-cp.org.uk

7th October 2025

By email: SMCR@hmtreasury.gov.uk

Dear Sir/Madam,

HMT Consultation - Reforming the Senior Managers & Certification Regime

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to HMT's consultation paper on reforming the Senior Managers & Certification Regime (SM&CR). 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 has always been supportive of the concept of the SM&CR. However, it believes that the current regime is a mere shadow of that which was originally proposed.

The lack of prosecutions and fines under the regime (whilst there continue to be well publicised issues across the industry) and the significant support of the regime by firms probably indicates that the SM&CR in its current incarnation lacks the 'teeth' that was originally conceived and therefore is limited in achieving its original objectives.

It is clear that the FCA sees the SM&CR as one of the pillars of its regulatory approach alongside, inter alia, the Consumer Duty. The Panel would therefore urge the HMT to consider any reform of the regime through thorough analysis of the impact on consumer outcomes, and how the regime can increase the chances of a consumer experiencing a positive and predictable outcome, reduce the chance of harm and make it harder for 'bad actors' (both firms and individuals) to operate in the market.

Our answers to specific questions are attached below.

Yours sincerely,

Chris Pond
Chair of the Financial Services Consumer Panel

1. Do you agree that the Certification Regime should be removed from FSMA 2000?

The Panel strongly disagrees with the proposal. The Panel believes it is important that senior managers are clear with regards to their responsibilities and are held to account for their actions. Whilst The Panel believes there is a lack of evidence to demonstrate that the Senior Managers & Certification Regime (SM&CR) has met its original objective it regards the regime as an important pillar in the FCA's regulation of firms – ensuring the potential for harm is reduced and the potential for predictable outcomes enhanced.

2. Do you agree that the Regulators should consider developing a more proportionate approach, that would replace the existing Certification Regime?

The Panel strongly disagrees with the proposal – see answer to Q1. The Panel is not aware of any evidence that the regime is either burdensome or disproportionate.

3. Do you believe there are risks or unintended consequences if the Certification Regime is removed from FSMA 2000, and replaced with regulator rules? For example, how would it impact consumer protection, market integrity, safety and soundness, and policyholder protection?

The Panel has significant concerns that removal of the Certification Regime would weaken a useful control and led to potential weakening of consumer protection and an increase in the likelihood of harm.

Ensuring individuals are fit and proper and operate and behave to a set of agreed behaviours creates an environment of trust, both between firms and between consumers and firms. Whilst the Panel would not object to changes which make the certification regime easier to manage, the Panel does not support anything that would weaken the outcomes the Certification Regime achieves.

The Panel struggles to see any argument that reducing the regime makes sense and would propose that HMT review the relevant data on the operation and impact of the regime (especially with regard to the impact on consumers) and look at how the regime can add more value, rather than just respond to firms' requests for it to be removed or reduced.

Should HMT decide to remove the regime from FSMA2000 the panel would expect HMT to conduct a full review of the risks and implications, both intended and unintended, and put mitigating actions and legislation in place to reduce and remove such risks.

4. Are there alternative approaches that will still deliver the desired benefits, but may not involve removing the regime from legislation entirely?

No Response

5. What are the critical elements for any replacement regime to achieve the government objectives of a lower cost, more proportionate and competitive regime?

Any change should achieve at least the same benefits (reduction in likelihood and impact of harm, for example) for consumers whilst reducing risks.

6. Do the regulators currently have the necessary powers and tools to deliver a replacement regime or are further powers required?

The Panel believes that a shift to a new regime would distract the regulators. The Panel believes the current regulatory pillars of the SM&CR alongside the Consumer Duty operate and interact well together. Changing these would be a distraction when the FCA itself admits the job of regulating such a large and active market is significant.

7. Do you have any comments on the likely costs and benefits of removing the Certification Regime from legislation and replacing it with a more proportionate regime, at this stage?

No Comment

8. Do you agree with the proposal to give the regulators more flexibility to reduce the overall number of senior manager roles?

So long as this does not weaken the impact of the regulation (and indeed this may strengthen it) in terms of consumer protection then The Panel has no objection to a reduction in the number of Senior Roles.

The Panel has argued for some time that there should be a Senior Management Function (SMF) responsible for Customer/Consumer Outcomes. With the removal of the regulatory requirement for firms to have a Board Member responsible for the Consumer Duty the Panel (considering the fact that many firms have decided to retain the Board level Consumer duty role) believe this would be a good time to introduce such a SMF.

9. In addition, do you agree with the proposal to give the regulators flexibility to reduce the number of roles within the regime for which pre-approval is required?

The Panel does not object to this proposal on the basis that the regulators are confident that any such change would not negatively impact consumer protection and that the obligations on firms to ensure fitness and propriety standards are maintained on an ongoing basis.

10. Do you have any comments on the likely costs and benefits of making such changes to the Senior Manager Regime?

No response

11. Are there any alternative approaches that government should consider to reform the approach to regulator pre-approval, which would still deliver the desired benefits?

The Panel has no data, but would encourage HMT to investigate and review similar, successful regimes in other Countries to learn from their experiences.

12. Do you have any other comments or suggestions regarding these proposed changes?

The Panel believes that this regime and the Whistleblowing rules and regime work closely together in controlling the behaviour and conduct of individuals and firms. We would therefore consider any proposed changes in the SM&CR regime alongside any improvements in the Whistleblowing rules.

13. Do you agree with the proposal to remove prescriptive legislative requirements relating to provision, maintenance and updating of Statement of Responsibilities, with the aim of allowing regulators to adopt a more proportionate approach?

The Panel does not support this proposal.
The Panel believes the requirements around the Statement of Responsibilities are important and useful. However, the Panel is supportive of the FCA's proposals around making the SOR process easier to manage, such as their current proposal to allow periodic submissions.

14. What are the types of change for which an update to the Statement of Responsibilities is currently required, that you consider to be disproportionate?

No response

15. Are there requirements in the legislation for the Conduct Rules which you consider create a disproportionate burden? What are these elements?

The Panel would expect HMT to look for data backed evidence when considering firms' responses to this question.

16. Are there any further elements of the SM&CR legislation within which create unnecessary regulatory burdens on firms, the removal of which would not impact on the primary objectives of the regime?

No Response

17. Do you face, or have you faced, any specific obstacles in trying to recruit internationally for senior manager roles?

No response

18. If so, which are the key obstacles that would not be addressed by the reforms proposed in either this consultation or by the consultations the regulators have published in parallel?

No Response.