



Practitioner Panel Survey

2015 Report

July 2015



TNS BMRB



Panel Chair's Foreword

As the FCA enters its third year, I'm pleased to report the results of the Practitioner Panel's annual survey which measures the industry's views of the FCA's effectiveness as a regulator.

It is positive that for the third year in a row, overall satisfaction has increased, albeit more slowly than previously. Perceived effectiveness has risen to 6.7 out of 10, from 6.5 in 2014 and 4.6 in 2013. Firms have rated satisfaction with their relationship with the FCA at 7.1 out of 10, up from 6.9 in 2014 and 5.9 in 2013.

Consumer Credit firms were included in the survey for the first time, although the sample was limited as many are still completing the authorisation process. From this limited sample, satisfaction with their relationship with the FCA is similar to the overall population at 7.2 out of 10, and perception of effectiveness is slightly higher at 7.0.

The fieldwork for the survey took place in February and March 2015, and was targeted at Chief Executive level. 4,055 firms completed the main survey, a response rate of 37% (up from 32% last year). 289 consumer credit firms completed the survey and their results were analysed separately.

Key Themes

The main areas the Panel wishes to highlight are:

1. Overall cost of regulation

When firms were asked to name their main concerns about regulatory policy over the next 12 months, the most common answer given was an increase in costs as a result of regulation. A similar number expressed concerns that regulation will be too burdensome or time consuming, and there were concerns about the impact of EU regulation.

Nine out of ten of the largest firms stated that they have had to increase resource as a result of regulation over the past year. More than a third have stated that regulation has increased the cost of a product or caused them to withdraw a product or service. Within smaller firms the impact is not so great but almost half have increased resources dealing with regulation.

The view of the industry is that regulation has a measurable impact on cost and that this will continue to increase. The FCA should be mindful of its cost-benefit calculations when making policy decisions, as these will ultimately be reflected in the cost and availability of products and services to consumers.

2. FCA operational objectives

Confidence in all three of the FCA's operational objectives has increased since last year with protection for consumers at 81% (up from 71%) and enhancing the integrity of the UK financial system at 73% (up from 65%). Promoting effective competition has improved from last year but is still very low in comparison to the other objectives at 56% (up from 45%). In particular, larger firms are markedly less likely to have confidence in the FCA meeting this objective with only a third of these firms having a positive score.

Combined with the concerns about the cost of regulation, there is still a risk that the industry is not yet operating in an environment in which firms can compete effectively without encountering regulatory barriers. Perceptions of the FCA's work in this area are improving but there is still work to do.

3. Effective communication with firms

Overall, satisfaction with communication from the FCA is similar to last year, with a mean score of 7.0 (6.9 last year). However, there are some interesting differences to consider.

Between 2014 and 2015 there has been an increase in the use of FCA communications as sources of information, with the main channels used being Regulation Roundup and the FCA website. Larger firms rely significantly on letters from the FCA as sources of information, with 97% using these, compared with 80% last year.

Larger firms have more frequent and direct contact with the FCA. This year's research shows a fall in the proportion of such firms reporting that communication from the FCA is very or slightly consistent, down from 83% last year to 77% this year. If firms are relying more on FCA direct communications for their information, processes must be in place to ensure that these are consistent.

Despite having a lower score than last year, the research shows that the use of external advisors is still the most important source of information for learning about regulation with 87% of large firms and 66% of smaller firms relying on this source.

There has been a noticeable fall, from 48% to 44%, in the use of the media as a source of regulatory information. The use of media as a regulatory tool should be used sparingly, and these results indicate that both larger and smaller firms are increasingly relying on direct communication from the FCA for their regulatory information.

There are low levels of awareness of enforcement action amongst smaller firms. The view of members of the FCA Smaller Business Practitioner Panel is that the FCA should not expect small firms to follow the detailed decisions from enforcement, but needs to include lessons from enforcement, including best practice, in its Regulation Roundup and other communications with firms, which should be targeted to different sectors of the industry.

4. Conclusions

Last year was not an easy one for the FCA, with substantial challenges to its operations and strategy from the Davis Review and from the Treasury Select Committee. At the same time, it has had the task of taking on consumer credit regulation and adapting to radical government initiatives in the pensions and advice areas. Notwithstanding the FCA's challenges, this research represents the views of a substantial proportion of the industry across the full spectrum of larger and smaller firms, and overall there has been an improvement in firms' views about the FCA between 2014 and 2015. This is quite an achievement.

The research highlights some areas where there is scope for further improvement, in particular the cost of regulation, the promotion of effective competition and elements of the FCA's communication strategy. Addressing these areas will help to maintain and develop positive interactions with the industry in the forthcoming year. I am delighted to introduce this report from our agency, TNS BMRB.

Alison Brittain
Chair, FCA Practitioner Panel



TNS BMRB

Research Report by TNS BMRB

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1. Executive Summary

Satisfaction and effectiveness



- Overall there has been an improvement in firms' views about the FCA between 2014 and 2015.
- Satisfaction with the relationship with the FCA has increased from an average score of 6.9 in 2014 to 7.1 in 2015.
- Rating of the effectiveness of the regulator has also increased from 6.5 to 6.7 over the same period.

Performance against objectives

- There has been a continued improvement in the confidence of the industry that the FCA will deliver against its all three of its statutory objectives.
- However, confidence in the third objective "Promoting effective competition in the interests of consumers in the financial markets" remains comparatively low at 56%.



Communications and information



- There has been an increase in the use of information sources produced by the FCA (including regulatory round up emails, the website and the Handbook).
- This is accompanied by a decline overall in the use of other sources of information such as external advisors and the media - although among C1/C2 firms the use of external advisors has increased.
- For all firms however, external advisors are still most commonly cited as the 'most important' source of information.
- Among C1/C2 firms the top response for improving communications was to include summaries in longer communications
- Among C3/C4 firms the top priority for improving communications was to simplify communications (use plain English).

Enforcement

- The industry is supportive of FCA enforcement activity and believes it to be a credible deterrent.
- There is some feeling that the publication of fines undermines confidence in the industry. At 29% this is felt by a minority of firms, but still a significant number.
- Where firms had seen enforcement activity related to their sector almost all took some sort of action as a result of this.



Impact



- Nine in ten C1/C2 firms (88%) reported that regulation had resulted in increased resource requirements over the last year.
- A third of C1/C2 firms (35%) had increased the cost of products or withdrawn products or services as a result of regulation.
- Among C3/C4 firms almost half (44%) reported the need for increased resource requirements as a result of regulation.

Supervision

- Nine in ten firms (91%) agreed that FCA staff/ supervisors are knowledgeable about FCA rules and requirements.
- Fewer, but a significant majority (80%) of C1 and C2 firms agree that the FCA staff have sufficient knowledge to understand their firm.
- Firms are less confident that FCA staff/ supervisors have sufficient experience, with 64% agreeing that this is the case.



2. Objectives and methodology

The FCA Practitioner Panel (the "Panel") and its predecessor Panel for the FSA has undertaken surveys of the industry's view of the regulator and its operations since 1999. These have provided an ongoing picture of the financial services industry's reaction to regulatory policies and how they work in practice. Since the introduction of the FCA in 2013 the survey has focussed on perceptions of the effectiveness of the FCA in regulating the industry as well as measuring firms' satisfaction of the FCA as a regulator.

From 2014 the FCA started to become responsible for the regulation of consumer credit firms. Therefore consumer credit firms were included in the 2015 survey for the first time.

Methodology

The latest wave of the survey was conducted by TNS BMRB on behalf of the Panel. Fieldwork took place between February and March 2015. Overall 11,057 firms were invited to take part, including all C1 and C2 firms and a sample of C3 and C4 firms. Contact details were obtained from the FCA's TARDIS database of regulated firms. The intended respondent was the most senior person in the firm. Selected firms were sent an initial 'warm-up' email informing them about the research, followed shortly by an invitation email containing a link to the online survey.

In total, 4,055 firms completed the survey, constituting a response rate of 37%.

FCA Supervision categorisation

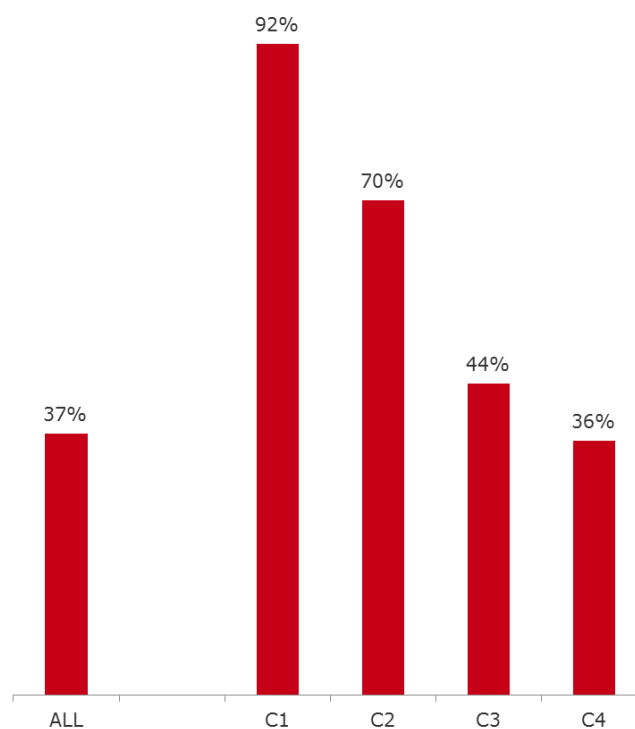
C1 Groups with the largest number of retail customers, and wholesale firms with the most significant market presence. They have a named supervisor and a high level of firm-specific supervision.

C2 Firms and groups with large retail customer numbers and wholesale firms with a significant market presence. They have a named supervisor and a high level of firm-specific supervision.

C3 Retail and wholesale firms with a medium-sized customer base. They are supervised with a sector-based approach, with less frequent firm-specific engagement.

C4 Retail and wholesale firms with a small number of customers. They are supervised with a sector-based approach, with less frequent firm-specific engagement.

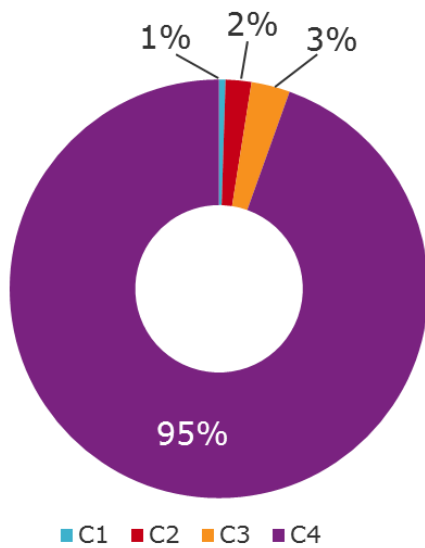
Figure 2.1 – Response rate by firm type



Base: All firms (4,055); C1 (11); C2 (71); C3 (126); C4 (3,847)

The makeup of the final achieved sample is such that C4 firms constitute the majority of respondents (as shown in Table 2.1). This reflects the fact that C4 firms also represent a majority of all regulated firms. In light of this, results for the whole sample will be almost identical to results for the C4 firms in isolation.

Figure 2.2 – Composition of final achieved sample, by firm type

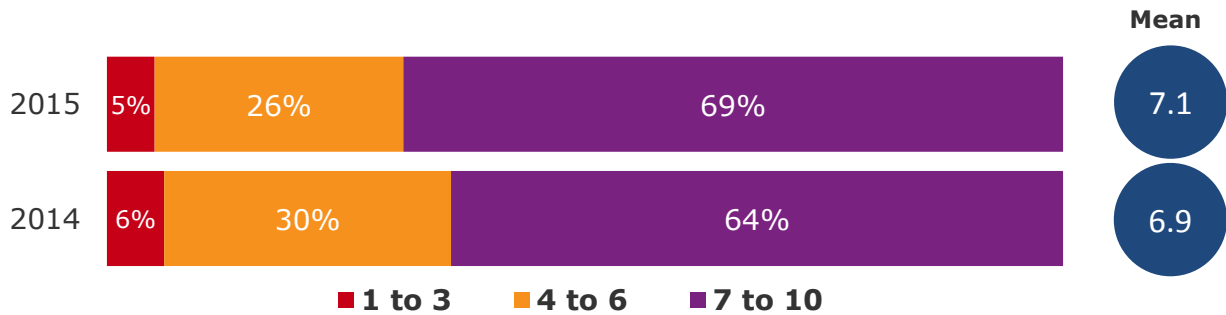


Base: All firms (4,055); C1 (11); C2 (71); C3 (126); C4 (3,847)

3. Satisfaction and Effectiveness



Figure 3.1 – Taking into account all of your firm’s dealings with the Financial Conduct Authority, how satisfied are you with the relationship?



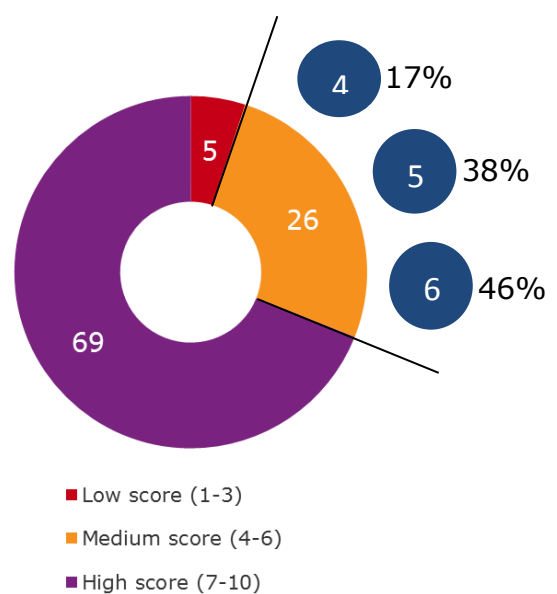
Base: All firms – 2015 (4,055); 2014 (3,146)

Firms were asked to rate their satisfaction with the relationship they have with the FCA on a scale of 1 to 10, with 1 being extremely dissatisfied and 10 being extremely satisfied. Compared with 2014, the proportion of firms giving a high satisfaction score (7 to 10) has increased from 64% to 69%. There has been a corresponding increase in the mean score, from 6.9 in 2014 to 7.1 in 2015.

The level of satisfaction is no different when comparing C1/C2 firms with C3/C4 firms (mean scores of 7.0 and 7.1 respectively). However, the increase in satisfaction is more pronounced among C3/C4 firms. Sixty three per cent of this group gave a high satisfaction rating in 2015, compared with 55% in 2014.

A closer inspection of the satisfaction scores suggests scope for further improvement in 2016. When looking in more detail at firms who broadly feel neutral with regards to satisfaction (a score of 4 to 6), 46% of this group gave a score of 6. This represents a group which could potentially, with relatively small improvements in the relationship, move from medium to high levels of satisfaction.

Figure 3.2 – Overall satisfaction with relationship with the FCA – 2015



Key Drivers of Satisfaction

Understanding the driving factors of satisfaction can help to target resources at those areas which will have the most impact on satisfaction levels.

Throughout the questionnaire, firms were shown a series of attitude statements relating to the FCA, and asked to say the extent to which they agreed or disagreed with each statement. The range of statements was designed to cover different aspects of FCA activity in order to gain greater insight into specific areas of high satisfaction or areas which may need to be addressed.

Key driver analysis was conducted in order to identify which aspects of firms' interaction with the FCA have the greatest impact on their overall satisfaction with the relationship. This information can then be used to target improvements in those areas that are most likely to drive up overall satisfaction levels.

Each statement is assigned an importance score. Statements with the highest scores are regarded as the key drivers of a firm's satisfaction. Importance scores are then mapped against performance scores (based on questionnaire responses) to produce improvement matrices that are split into four groups:

- High importance/ Performing well
- High importance/ Underperforming
- Low importance/ Performing well
- Low importance/ Underperforming

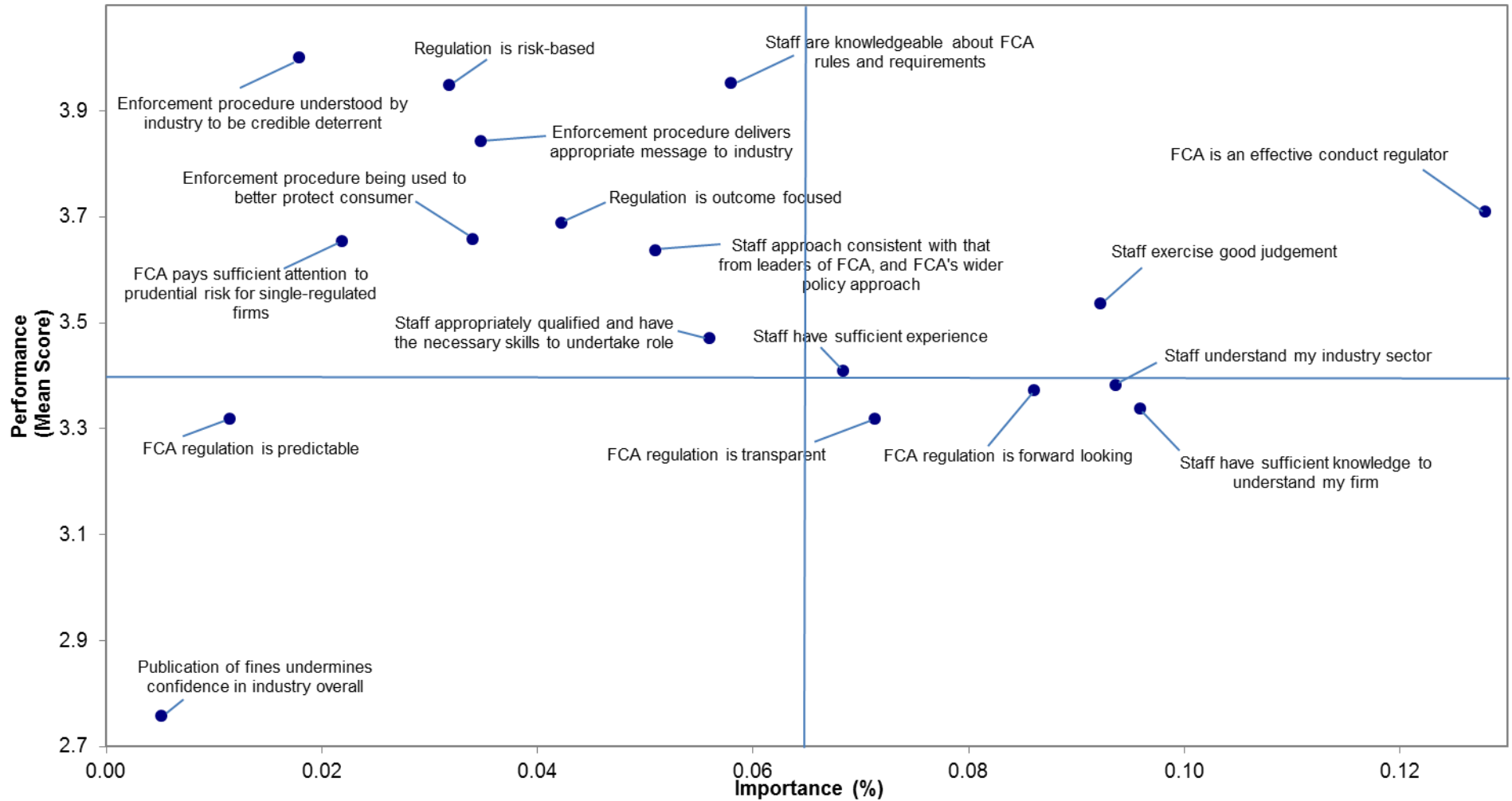
Drivers that fall into the second group – High importance/ Underperforming – indicate the areas that are in most urgent need of improvement.

As shown in Figure 3.3, four statements stand out as being of relatively high importance but exhibiting low levels of performance:

- Staff have sufficient knowledge to understand my firm.
- Staff understand my industry/ sector.
- FCA regulation is forward looking.
- FCA regulation is transparent.

The first two statements are closely related in theme, referring to the need for FCA staff to understand the specific issues faced by regulated firms. The topics of FCA staff and their understanding of the industry have emerged as issues in previous waves of the survey, and continue to be in need of attention in 2015. Improvements made by the FCA in this area would therefore be expected to have the greatest impact on overall satisfaction scores.

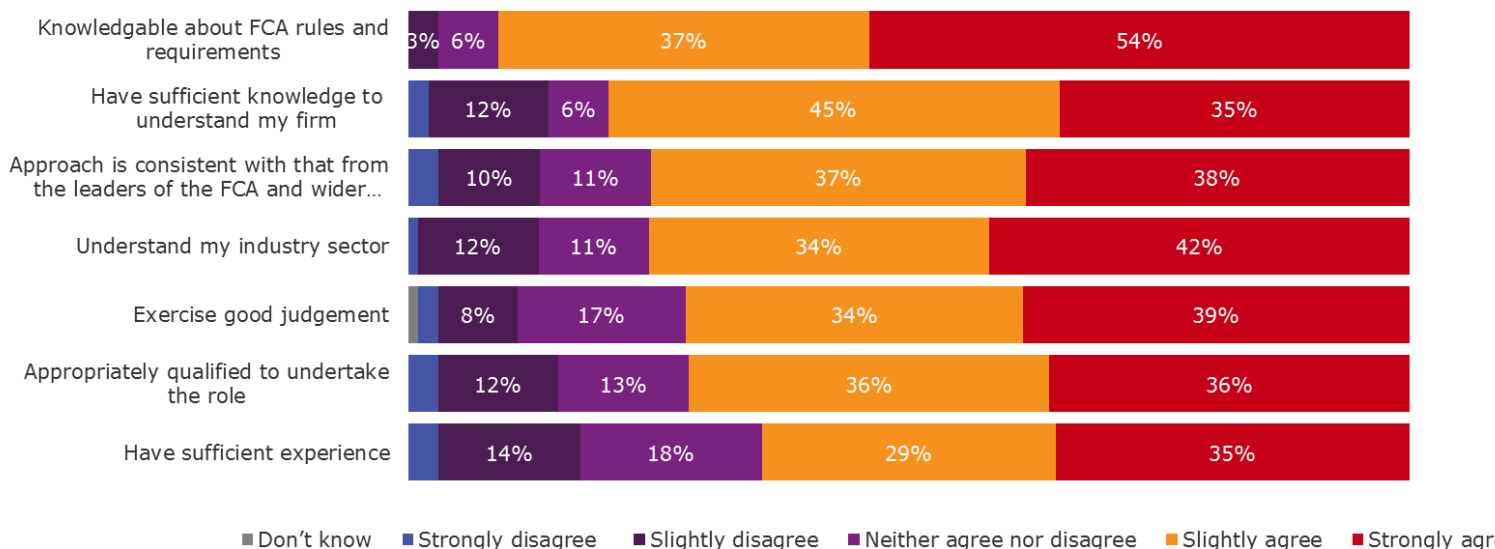
Figure 3.3 - Key Performance/ Importance matrix: Overall satisfaction



For C1/C2 firms, a key element of their relationship with the regulator is their FCA supervisors. In examining results in relation to supervision, it is important to understand the different approach taken for C1 and C2 firms. C1 firms are assigned a dedicated team of supervisors who solely supervise that individual firm (known as 'fixed portfolio'). By contrast, C2 firms are supervised as part of a flexible portfolio of firms for which a team of supervisors cover a number of firms in their portfolio.

Firms were asked to say the extent to which they agree or disagree with various statements about their supervisors. The majority of C1/C2 firms agreed with these statements suggesting that in general performance is good. There was lower agreement on certain statements, underlining the fact that there is some dissatisfaction with the level of specialist knowledge demonstrated by the FCA - in particular, having sufficient experience (64%), being appropriately qualified to undertake the role (72%), and exercising good judgement (73%).

Figure 3.4 – In relation to FCA staff (supervisors’ teams or the FCA customer contact centre), to what extent do you agree with the following statements? (C1/C2 firms)



Base: All C1/C2 firms (82)

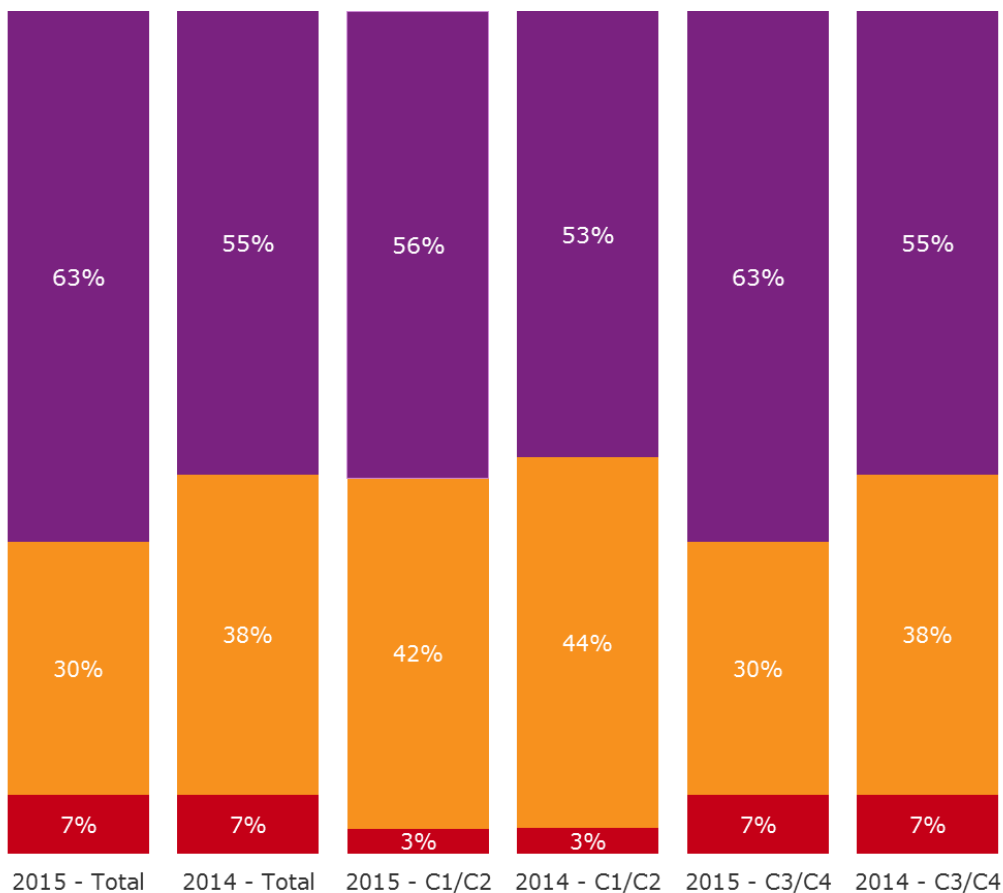
Effectiveness of the FCA

Between 2014 and 2015 firms' perception of the level of effectiveness of the FCA in regulating the financial services industry has also improved. Of all firms surveyed, 63% gave the FCA a high effectiveness score (7 to 10), up from 55% in 2014. The mean score has increased from 6.5 to 6.7 between 2014 and 2015. This increase is largely driven by the C3/C4 firms.

Unlike with satisfaction, perceptions of effectiveness do differ by firm type. While only 56% of C1/C2 firms believe the FCA is highly effective, the equivalent figure among C3/C4 firms is 63%. This perception gap between the C1/C2 firms and C3/C4 firms has increased over the last year.

Although C1/C2 firms are less likely to view the FCA as highly effective, they are also less likely to give a low score for effectiveness (1 to 3). This results in no real difference between the mean scores given by C1/C2 firms (6.6) and by C3/C4 firms (6.7).

Figure 3.5 – Overall, from your firm's perspective, how effective has the FCA been in regulating the financial services industry in the last year (since April 2014)?



Base: All firms – 2015 (4,055); 2014 (3,146) C1/C2 firms – 2015 (82); 2014 (78) / C3/C4 firms

To enable the Panel and the FCA to better understand the industry's perceptions of the effectiveness of the FCA, firms were asked to explain their reasons for the effectiveness rating they chose

This was asked in the form of an open-ended question, allowing respondents to give extended responses. Responses of firms giving a low effectiveness score (1 to 3) were analysed to give an indication of where improvements may be most needed. Three key themes emerged, as shown in Figure 3.6.

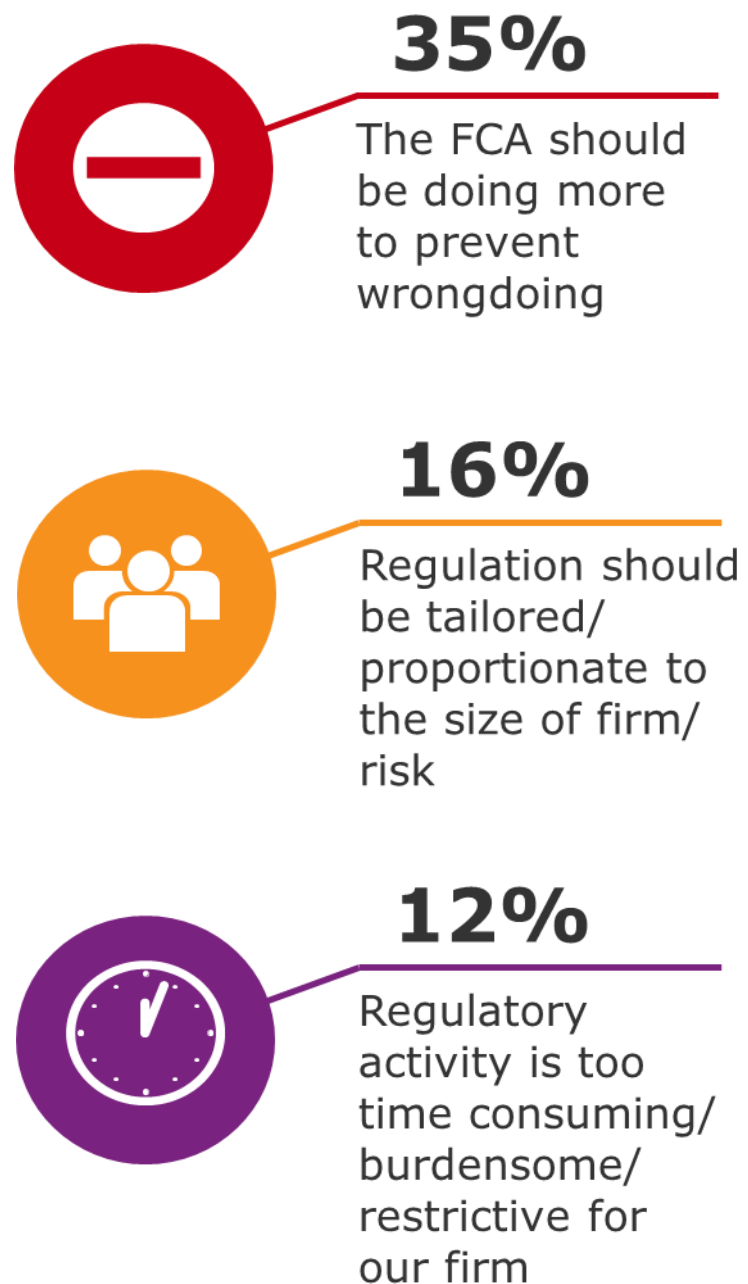
These themes appear throughout firms' responses to the survey and are discussed in more detail in Chapter 6.

Among firms giving a low score for the effectiveness of the FCA, 35% said that they felt the FCA should be doing more to prevent wrongdoing (e.g. mis-selling). Responses in this group follow two distinct strands: first, that the FCA should go to greater lengths to detect wrongdoing; second, once detected, the FCA should impose harsher penalties on the perpetrators of wrongdoing.

A second theme is around the tailoring of regulation and proportionate regulation based on the firm type and level of risk. Overall 16% of those giving a low score felt that regulation should be more tailored to firm size and type.

The third key theme focusses on the burden of regulation for firms, with 12% of those giving a low effectiveness score stating that this is due to regulation being too time consuming, burdensome or restrictive for their firm.

Figure 3.6 – Reasons for awarding FCA a low effectiveness score



Base: All firms giving score of 1 to 3 for effectiveness (273)

Conversely, those rating the FCA as highly effective (7 to 10) were more focused on their own personal interactions with the organisation. Fifteen percent pointed to clear and accessible communication from the FCA as a reason for a high effectiveness rating which is reflected in the high satisfaction shown with communications overall (see below).

Other key reasons to award the FCA a high effectiveness score were general perceptions of good performance (13%) and efficiency in approach (11%).

Figure 3.7 – Reasons for awarding FCA a high effectiveness score



Base: All firms giving score of 7 to 10 for effectiveness (2,532)

Main focus for regulatory policy for the next 12 months

Looking ahead, firms were asked to detail their main concerns for regulatory policy over the next 12 months – drawing from either UK or European-level proposals. Generally the predominant reasons echoed the comments given by those who gave a low effectiveness score, namely the cost and time required for compliance with all relevant regulation.

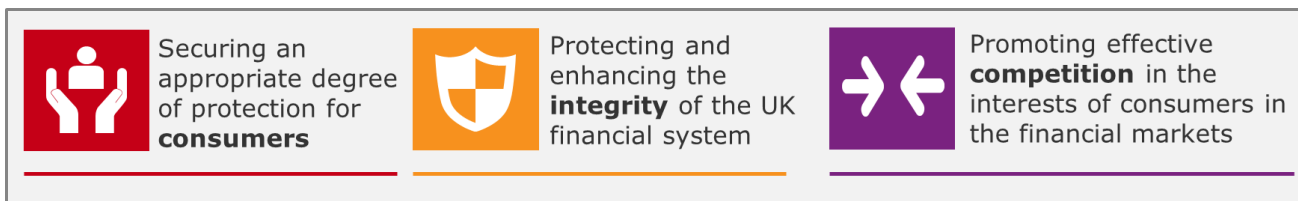
The EU was the other main theme to emerge from firms' comments. Many voiced their concern that EU-wide legislation and regulation was ill-suited to the UK financial industry and that the UK-based FCA was unable to optimise the requirements to match the particular circumstances found here. While some indicated that their worry over European legislation was due to the failure of the EU to confidently communicate the legislation to firms, others felt that the legislation itself was the problem.

Figure 3.8 – Main concerns about regulatory policy over the next 12 months



Base: All firms (4,055)

4. Performance against objectives

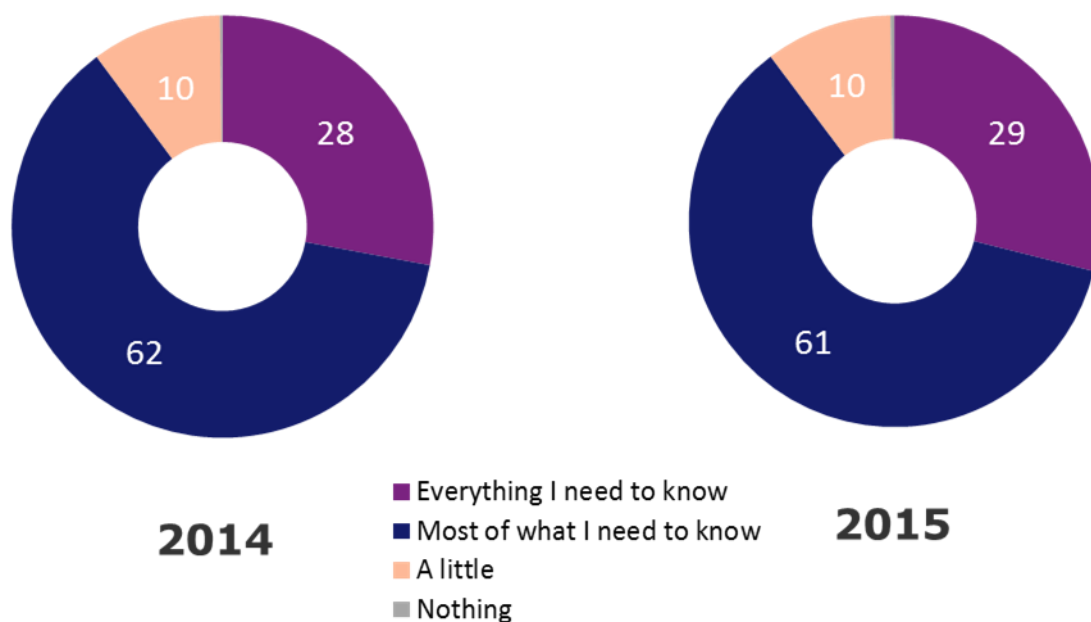


The FCA has three operational objectives;

- Securing an appropriate degree of protection for consumers
- Protecting and enhancing the integrity of the UK financial system, and
- Promoting effective competition in the interests of consumers in the financial markets.

Firms were asked to rate the FCA's performance against each of these objectives. Before doing so however they were asked to indicate their level of knowledge of the FCA's three objectives. Overall the proportion of firms who felt that they knew all or most of what they needed to know about the FCA's objectives remained unchanged compared with 2014, at 90%.

Figure 4.1 – How much do you know about the FCA in relation to the FCA's objectives?



Base: All firms - 2014 (3,146); 2015 (4,055)

Overall industry confidence in the FCA's ability to meet all three of the operational objectives has increased since 2014.

Although confidence has risen to a similar degree across all three objectives, the key finding is that confidence remains lowest in relation to promoting effective competition. This area is still relatively new for the FCA and at the time the survey was carried out the first market studies were still ongoing. The results from some of these studies, including Cash Savings, Retirement Income Products, and Credit Cards, have now been published.

Figure 4.2 shows the overall proportion of firms claiming to be very or fairly confident in relation to each objective, and the corresponding increases compared with 2014.

Both C1/C2 and C3/C4 firms demonstrate significant increases in their confidence that the FCA will deliver across all objectives (Figure 4.3). The level of increase ranges from 8 to 11 percentage points for C3/C4 firms and between 9 and 10 for C1/C2 respondents- the only exception being the relatively small increase seen for Consumer by C1/C2 firms (albeit from a high base of 84%).

This represents a great deal of progress over the last year by the FCA which is acknowledged by both groups of firms.

There remains, however, a sizeable gap between firm types in their rating of the FCA's performance across all three of its objectives. For example, C1/C2 firms have substantially less confidence in the FCA's ability to deliver on the competition objective, with only 36% rating this positively, compared to 56% of C3/C4's.

Conversely, 83% of C1/C2 respondents, rate the integrity of the financial system objective positively, but this is much lower for C3/C4 at 73%.

Figure 4.2 – Proportion of firms who are very/ fairly confident that the FCA will meet each operational objective

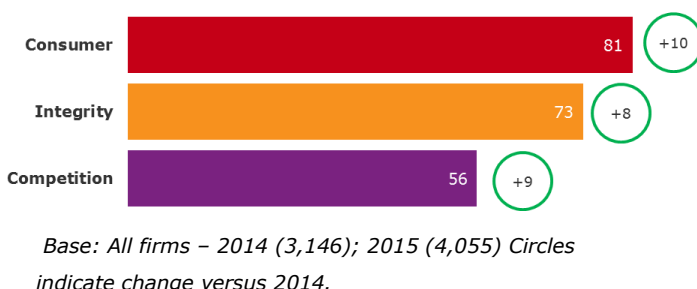
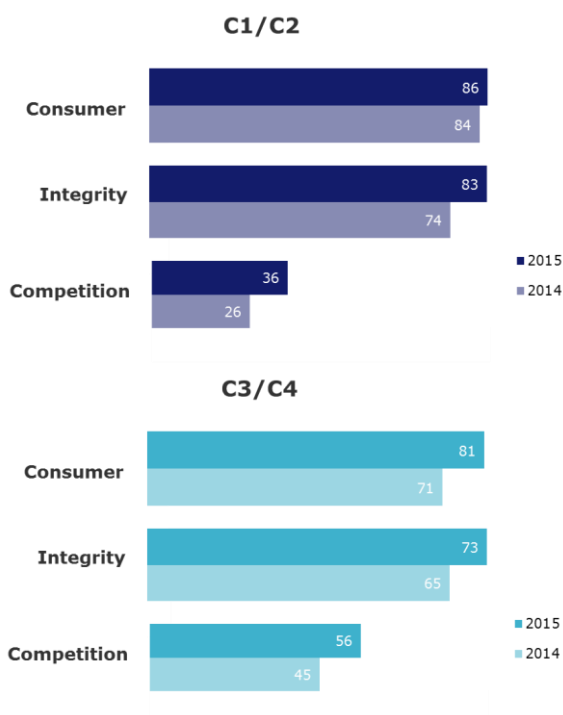


Figure 4.3 – Performance against objectives by conduct category



Base: All firms – C1/C2: 2015 (82) 2014 (78); C3/C4: 2015 (3,973) 2014 (2,894)

Views of smaller firms

Analysis of the verbatim responses provided by firms can help to explain these divergences. While many C3/C4 firms praised the FCA for its customer-focused approach, others felt the FCA was still not doing enough to focus in on those areas that can have the biggest impact to customers.

Views of larger firms

C1/C2 firms are more positive about the FCA's delivery against its first two objectives (securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system) than C3/C4 firms.

However the C1/C2 firms are much less confident in the ability of the FCA to promote effective competition in the interests of consumers than C3/C4 firms. In chapter 3 we discussed the reasons given by firms for lower scores regarding the FCA's effectiveness. A key theme highlighted there was the need for the FCA to do more to prevent wrong-doing. This could be impacting on C3/C4 firms' appraisal of the ability of the FCA to deliver on industry integrity,

Many feel that the FCA is not taking a balanced approach and is currently leaning too heavily towards restrictive policies, which in turn is impacting negatively on competition. A challenge for the FCA going forward will be to reconcile the concerns of C1/C2 firms for a more balanced approach with the desire of many C3/C4 respondents for the body to do more to protect consumers and the industry.

5. Information and Communication

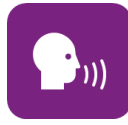
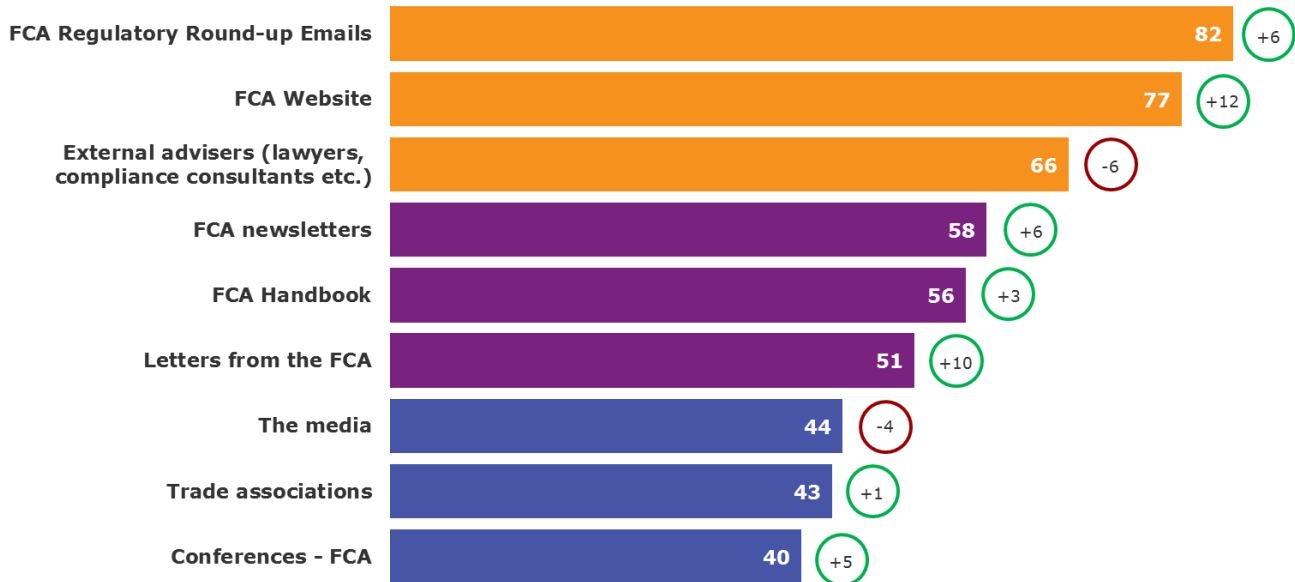


Figure 5.1 – What information sources do you use to learn about regulation and the FCA?



Base: All firms: 2015 (4,055); 2014 (3,146). Circles indicate change versus 2014.

Firms were asked to state which sources of information they use to learn about the FCA. Since 2014, the proportion of firms using FCA sources for information on regulation has increased across all channels. FCA regulatory emails remain the most commonly used source of information but increasingly firms are turning to the FCA website for guidance and materials. As firms' engagement with FCA sources of information increases there has been a reduction in the use of other sources of information such as external advisers and the media. This is particularly notable among C3/C4 organisations.

In terms of importance, overall, external advisers are seen as the most important source of information by firms but this is primarily driven by C3/C4 firms. C1/C2 firms actually report an increase in the use of external advisers from 80% in 2014 to 87% in 2015.

Despite the fact that fewer C3/C4 firms use external advisers, over a third of C3/C4 firms view these interactions as their most important information channel.

Those with direct access to an FCA supervisor (C1/C2 firms only) rate those interactions as their most important source of information (50%).

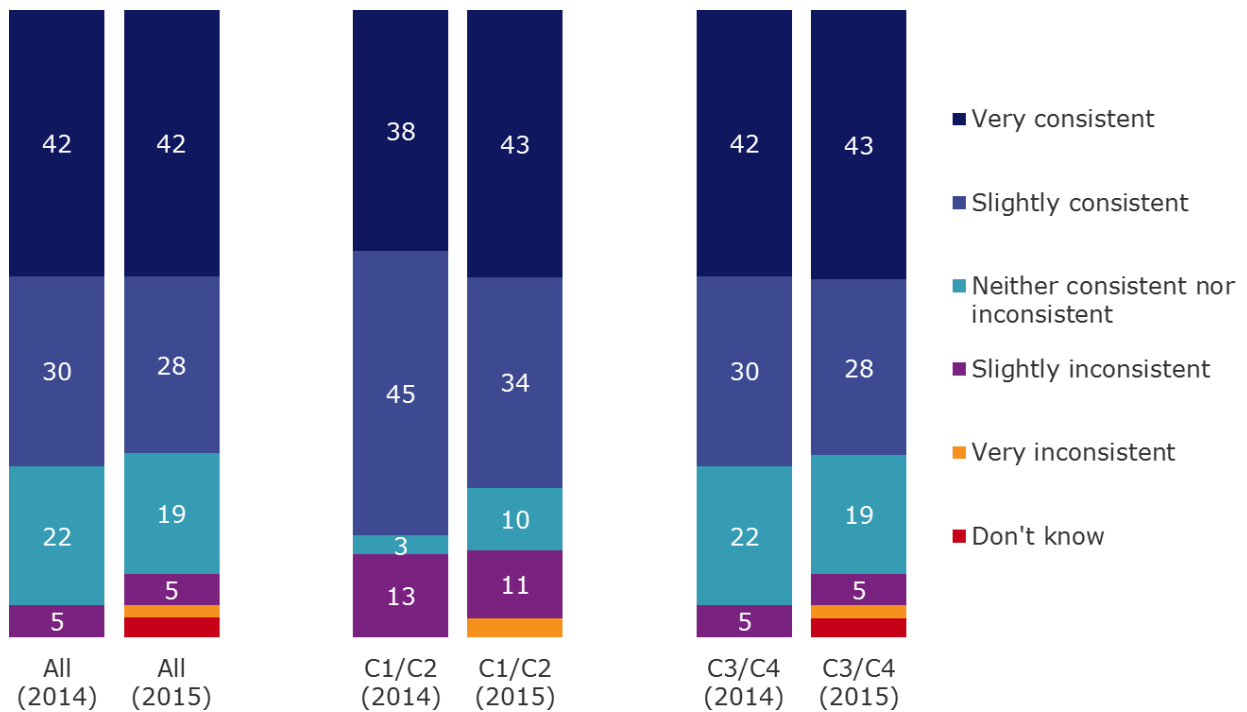
Consistency of information

Overall the proportion of respondents who agree that communications from the FCA are consistent remains steady at 70% (72% in 2014).

However, this stability is largely driven by C3/C4 firms. C1/C2 firms have reported reduced levels of perceived consistency. Among C1/C2 firms 77% of respondents agree that communications are consistent- compared with 82% in 2014.

This change in perceptions of consistency has seen firms move from a positive rating to a more neutral stance (rather than to a negative rating). This trend should be monitored closely over the next 12 months to ensure that 2016 does not see a further drop.

Figure 5.3 – Thinking of all the information that you have seen, heard or read from the FCA – how would you rate the consistency of that information?



Base: All firms: 2014 (3,146); 2015 (4,055); C1C2: 2014 (78); 2015 (82); C3C4: 2014 (2594); 2015 (3624)

Satisfaction with FCA communications

When asked to consider their level of satisfaction with communications from the FCA, firms are generally satisfied. Over two-thirds of respondents (68%) gave a high satisfaction score for communication (7 to 10). Only five per cent of firms gave a low rating (between 1 and 3). Since this question was asked for the first time in 2015, time series data is not available.

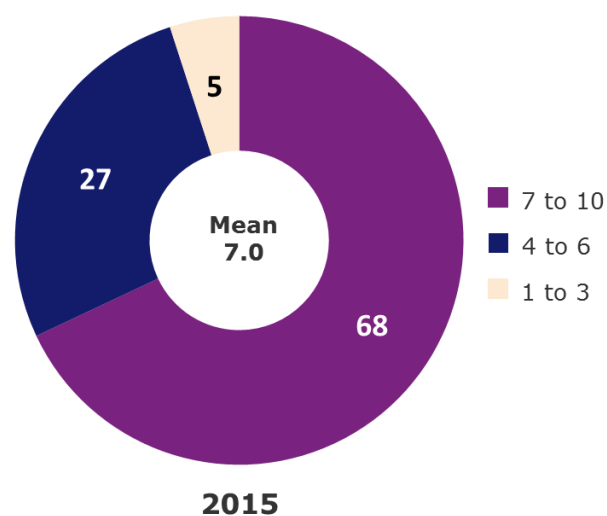
Improving Communications

Firms were asked by the Panel to consider how the FCA could best improve future communications. Overall the most commonly cited improvements were to simplify communications (59%), target communications for different types of firms (52%) and improve the usability of the handbook (51%).

There were some differences between C1/C2 and C3/C4 firms but all firm types emphasised the need for accessible communications. The C1/C2 firms highlighted a need for summaries at the beginning of longer FCA materials (52%) and to have communications tailored by type of firm (50%).

The C3/C4 firms also focussed on the accessibility of communications – both in terms of usability and in the language used. By far the largest desire is to see communications written simply and in non-technical language (60%).

Figure 5.4 – Thinking of all the information that you have seen, heard or read from the FCA, how satisfied are you with the communication from the FCA?

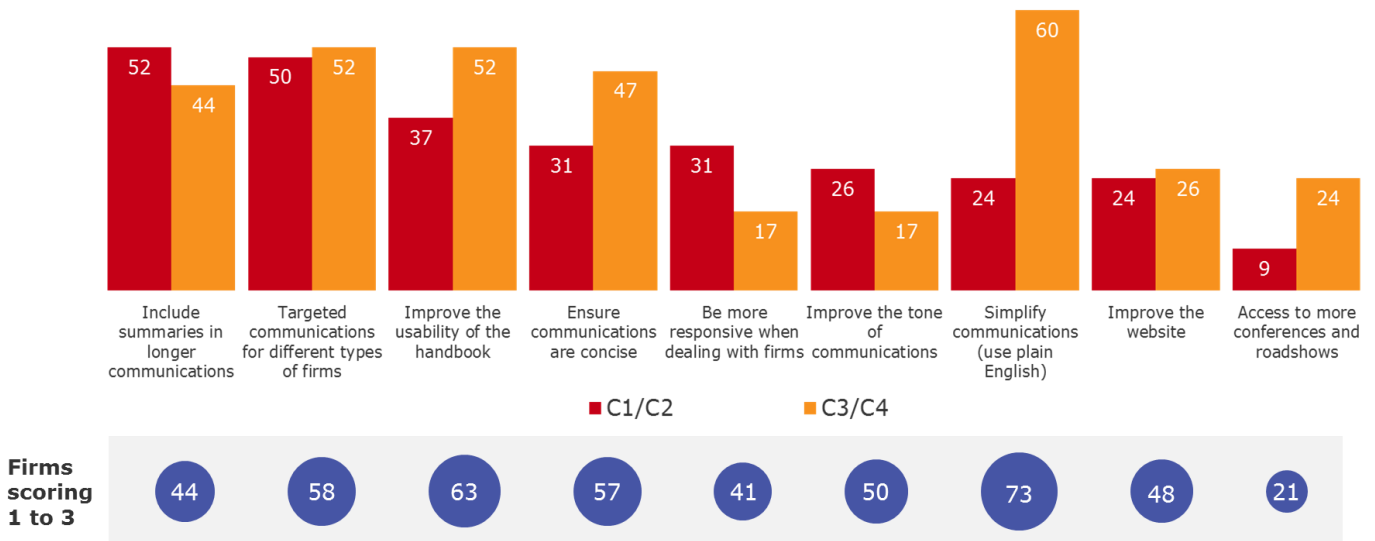


Base: All firms (4,055)

C3/C4 firms would also like to see improvements in terms of the conciseness of communications (47%) and in the usability of the FCA handbook (52%).

Those who were dissatisfied with communications from the FCA (a rating of 1 to 3) cited similar wishes – they would like to see accessible, concise communications and an improved FCA handbook. Those dissatisfied with communications were far more likely than other firms to want to see improvements in the tone of communications (50% compared with 17% overall).

Figure 5.5 – Which, if any, of the following ways would you most like to see the FCA improve communications?



Base: C1/C2 (82); C3/C4 (3,973) firms scoring 1 to 3 for satisfaction with communication (189)

A key message to draw from these findings is the importance of tailoring information to specific types of firm, in terms of both content and the medium by which information is communicated.

When communicating with firms, the FCA should consider the sources most commonly used and those deemed most important by different firm types in order to maximise impact.

Figure 5.2 – Most important source of information for learning about regulation and the FCA



Base: All C1/C2 firms (82) All C3/C4 firms (3,973)

6. Enforcement



The Panel survey provides a measure of industry views towards FCA enforcement and the actions taken by firms as a result of enforcement action reported relevant to their business. Firms were presented with a series of statements about the FCA’s enforcement procedures and asked to say the extent to which they agreed or disagreed with each statement.

At an industry level there is broad support for the FCA’s enforcement actions.

Seven in ten firms (71%) agreed that the FCA’s enforcement procedure is a credible deterrent. Similarly, 67% of firms agreed that the enforcement procedure delivers an appropriate message to the industry. C1/C2 firms were more likely to agree that the current enforcement procedure is a credible deterrent (84%, compared with 71% of C3/C4 firms).

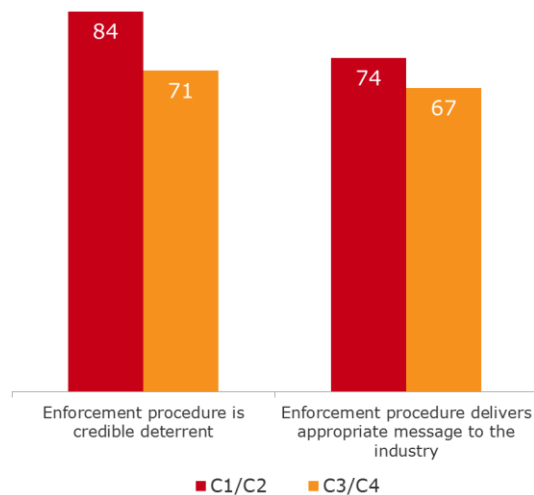
As discussed in Chapter 3, enforcement was a key concern among those who reported low levels of satisfaction with the FCA (see Figure 3.6).

The proportion of firms who agreed that the FCA’s enforcement procedure is being used to better protect the consumer was slightly lower at 58%. This is despite the fact that 81% of firms were confident that the FCA will deliver on its objective to secure an appropriate degree of protection for the consumer.

There was some concern among a minority of firms (29%) that the publication of fines undermined confidence in the industry. This was not, however, a key concern for the majority of firms. On the contrary, over half of C1/C2 firms (52%) actively disagreed that

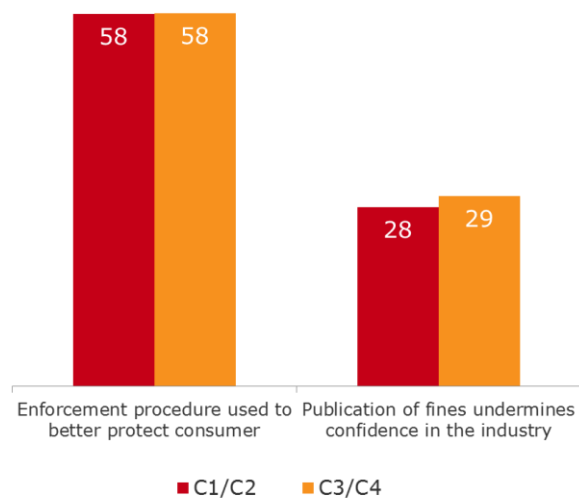
publication of fines undermines confidence as did 43% of C3/C4.

Figure 6.1 – Proportion of firms who agree (strongly or slightly) with statements about enforcement



Base: All C1/C2 firms (82) All C3/C4 firms (3,973)

Figure 6.2 – Proportion of firms who agree (strongly or slightly) with statements about enforcement



Base: All C1/C2 firms (82) All C3/C4 firms (3,973)

Enforcement Activity

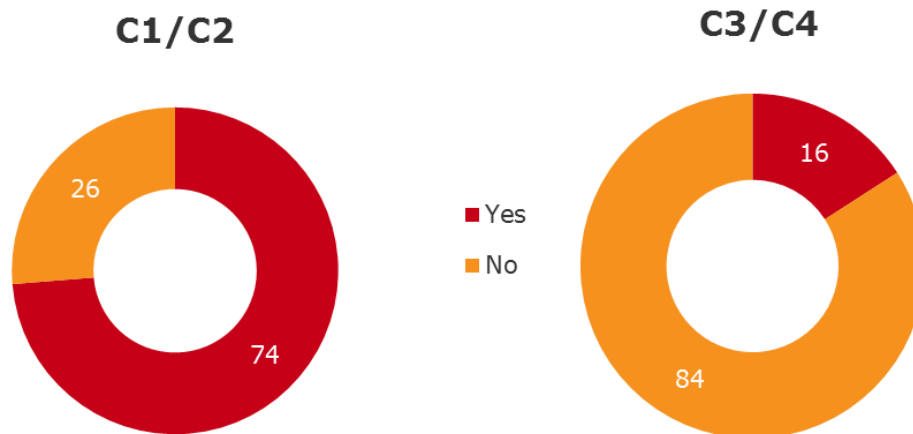
Awareness of enforcement activity related to a firm's business was lower than expected overall and particularly low amongst smaller firms (C3/C4). The FCA has taken enforcement action in all sectors of the financial services industry over the past year.

As would be expected there were clear differences in the level of awareness depending on conduct category. Nearly three-quarters (74%) of C1/C2 respondents were aware of enforcement activity over the past 2 years which was relevant to their business and only 16% of C3/C4 firms.

Although there is far higher awareness among C1/C2 firms this figure might be expected to be closer to 100% given the extent of enforcement activity that has taken place in the last two years.

The large number of C3/C4 firms unaware of enforcement activity in their sector is higher than might be expected, given the breadth of FCA enforcement activity. Communication in this area may be a point for the FCA to consider.

Figure 6.3 – Are you aware of any enforcement action in the last two years which have been relevant to your business?



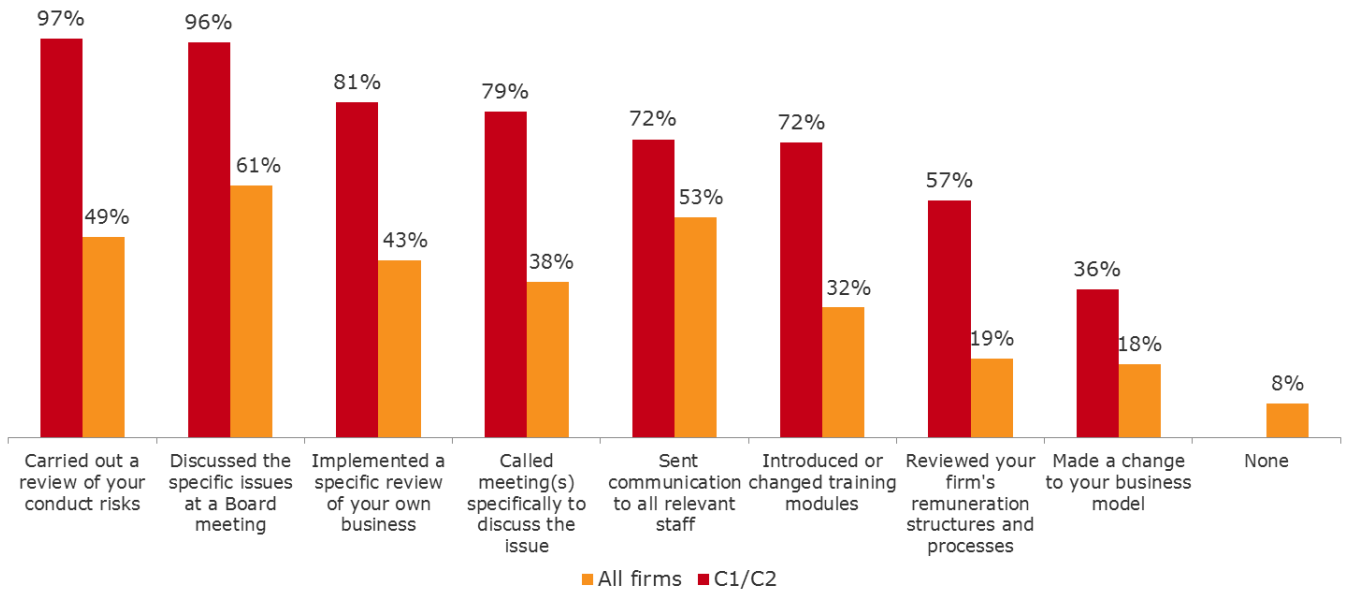
Base: All C1/C2 firms (82) All C3/C4 firms (3,973)

Only firms that were aware of enforcement activity related to their sector were asked what actions they had taken as a result of this.

In light of relevant enforcement action, C1/C2 firms were considerably more likely to undertake a wide range of actions compared with C3/C4 firms. Across all firms which were aware of enforcement activity related to their business, almost all (92%) had taken some action as a

result of this activity. There was a range of actions which had taken place. Ninety seven per cent of C1/C2 firms who were aware of a relevant enforcement action indicated that they had carried out a review of their own conduct risks while 96% stated that they had discussed specific issues at the board level. The comparative figures for C3/C4 firms were 47% and 60% respectively.

Figure 6.4 – Which actions, if any, have you taken as a consequence of this enforcement activity?



Base: All firms aware of recent enforcement actions; All firms (709), C1/C2 firms (63)

7. Impact of regulation

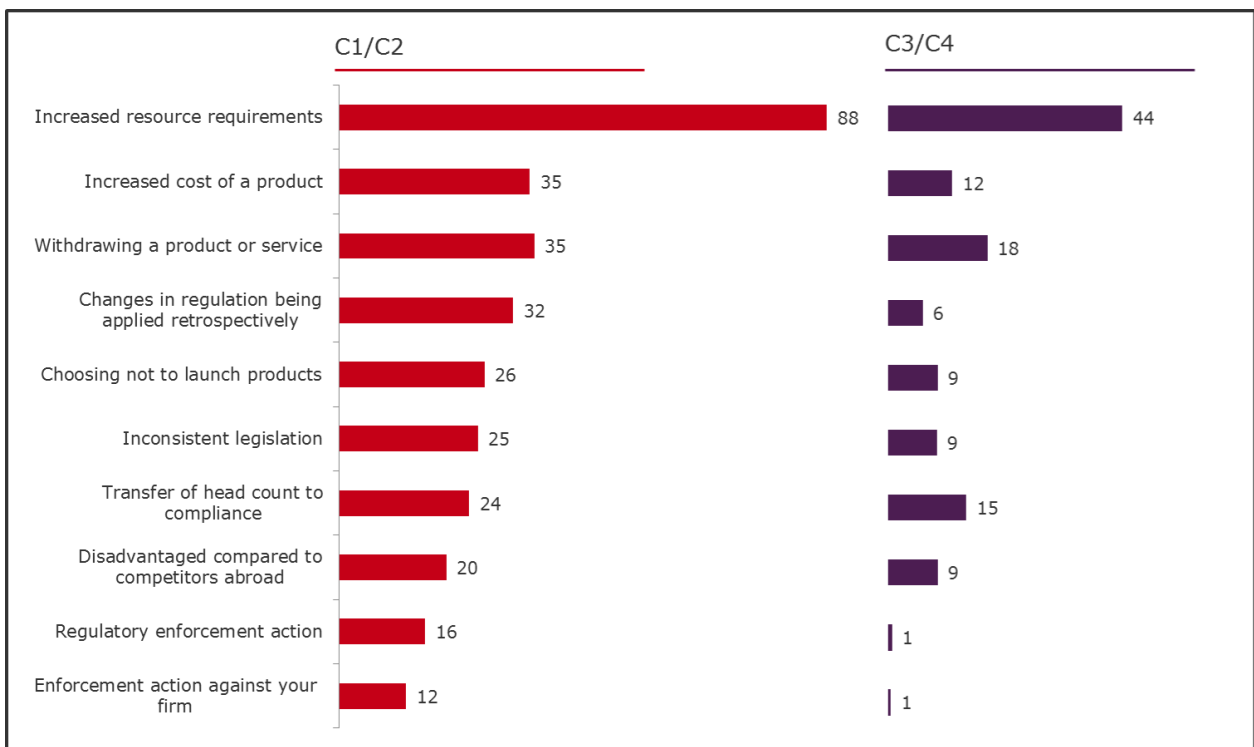


The Panel was keen to understand more about the impact of regulation on firm’s activities. Therefore the survey asked firms to consider the impact of regulation on their firm over the last year.

By far the most significant impact as a result of regulation in the past 12 months has been an increase in the amount of resource required to

ensure compliance. Nearly nine in ten C1/C2 firms (88%) reported devoting more time or money to regulation whilst just under half (44%) of C3/C4 respondents indicated the same. It is possible that for C1/C2 firms this is related to the increase in the use of external advisors reported by these firms (see Chapter 5).

Figure 7.1 – Over the last year, which of the following, if any, has your firm experience as a direct result of regulation?



Base: All firms - C1/C2 firms (82) C3/C4 firms (3,973)

A number of firms reported concerns about the consequences of increased compliance costs and warned that increased regulation was of little benefit to the consumer.

Over a third of C1/C2 firms indicated that they had undertaken an action directly affecting customers as a result of regulation – either in increased costs for consumers (35%) or by withdrawing a product or service (35%). Nearly a quarter (24%) of C1/C2 firms have reallocated staff from customer-facing roles to work on compliance.

The responses indicate that C1/C2 firms do perceive a real impact to consumers as a result of regulation.

Among C3/C4 firms increased resource requirements were the most commonly cited impact of regulation. The next most common impact for these firms has been the withdrawal of a product or service, reported by 18% of C3/C4 respondents.

8. Consumer Credit

Responsibility for the regulation of approximately 40,000 consumer credit firms passed from the OFT to the FCA in April 2014. This change effectively doubles the number of firms regulated by the FCA and thus represents a significant increase in the scope and volume of its regulatory work. The FCA is working to a set timetable put in place by HM Treasury to authorise all relevant firms.

Over the course of 2014 and 2015 these consumer credit firms have been going through the authorisation process and as such, at the time the 2015 survey was completed, only 2,124 consumer credit firms were authorised and available from the FCA's TARDIS database to be invited to take part in the survey. This was the first year that consumer credit firms were included in the survey and response rates were lower among these firms than for the wider industry, just 14% chose to take part compared with 37% of the industry overall.

The results from these firms are presented separately and not incorporated into the headline findings for the 2015 survey. It is expected that future surveys will start to incorporate the consumer credit sector into the overall survey results.

Satisfaction and effectiveness

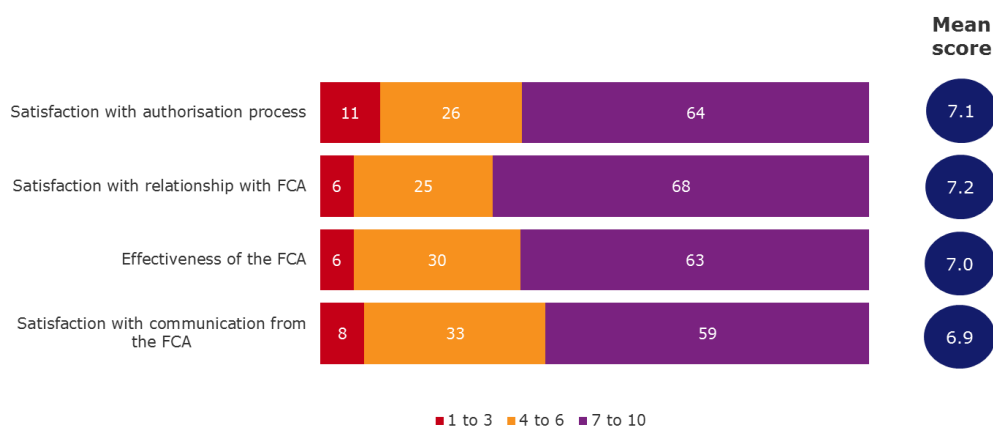
As the consumer credit firms invited to participate in the survey had recently successfully completed the authorisation process they were asked to rate how satisfied they were with this process. Levels of satisfaction were good with almost two-thirds of firms (64%) giving a high rating (Figure 8.1).

Firms were then asked more specifically about their satisfaction with their relationship with the FCA overall. Consumer credit firms reported very similar satisfaction levels to the rest of the industry with a mean score of 7.1 and 68% giving a high rating.

Consumer credit firms also gave similar ratings to the wider industry regarding the effectiveness of the FCA as a regulator. The mean score was 7.0 compared with an industry wide mean score of 6.7.

These firms have had a different experience of regulation. So far, satisfaction levels with communication from the FCA were good with a mean score of 6.9 across all consumer credit firms.

Figure 8.1 - Satisfaction and effectiveness ratings (consumer credit firms)



Base: All Consumer Credit firms (289)

Knowledge of the FCA's objectives

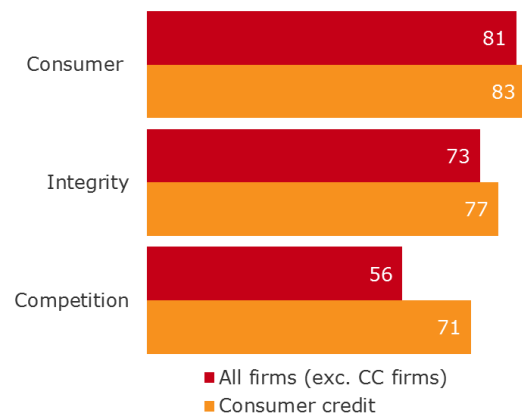
There were lower levels of knowledge among consumer credit firms regarding the FCA's objectives and its approach to regulating the industry. Less than two-thirds of consumer credit firms felt that they knew everything or most of what they needed to know about the FCA's objectives. This compares with 80% of firms in the wider industry.

Performance of the FCA against objectives

Although consumer credit firms reported lower levels of knowledge about the FCA's objectives than the wider industry, perception of the performance of the FCA against these objectives was very similar to the wider industry for the first two objectives of securing an appropriate degree of protection for consumers and protecting the integrity of the UK financial system. However, for the third objective, promoting effective competition in the interests of consumers in the financial markets, consumer credit firms were significantly more likely than the rest of the industry to feel confident in the FCA's ability to effectively deliver against this objective (71% compared with 56% respectively).

Overall consumer credit firms welcomed regulation of the industry by the FCA. Eight in ten consumer credit firms (81%) agreed that regulation of the industry by the FCA is welcome. However the firms were less positive about the approach taken by the FCA with just half (52%) agreeing that the FCA had a suitably tailored regulatory approach for consumer credit firms. This is perhaps to be expected at this stage given the wide variety of firms within the consumer credit sector.

Figure 8.2 - Perception of the performance of the FCA against objectives by firm type



Base: All firms exc. consumer credit (4,055), Consumer credit firms (289)

Q3 Please use the space below to say in your own words why you gave this score for effectiveness?

Please type your answer in the box below.

OPEN ENDED QUESTION

Q4 How much do you know about the FCA in relation to...

- a. The FCA's objectives?
- b. Its approach to regulating the financial services industry?

(SINGLE CODE) – GRID

Everything I need to know
Most of what I need to know
A little
Nothing

Q5 [ASK ALL FIRMS]

What is the FCA's conduct rating classification of your firm?

C1
C2
C3
C4
Not aware of the conduct rating

Q6 [ASK IF NOT PRA REGULATED]

And what is the FCA's prudential rating classification of your firm?

P1
P2
P3
P4
Not aware of the prudential rating

Information and Communication

Q7a What information sources do you use to learn about regulation and the **FCA**? Please tick all that apply

(MULTI CODE)

- Conferences - FCA
- Conferences - other
- External advisers (lawyers, compliance consultants etc)
- FCA 'Regulatory Round-up' email
- FCA customer contact centre
- FCA speeches
- FCA Handbook
- FCA newsletters
- FCA supervisor discussions
- FCA Website
- FCA information packs
- Letters from the FCA
- The media
- Social media (e.g. Twitter)
- Trade Associations
- Other (please specify)
- Nothing

IF MORE THAN ONE RESPONSE SELECTED AT Q7a

Q7b Which of those you have chosen would you say is the most important?

ONLY SHOW THE CODES BELOW WHICH THE RESPONDENT SELECTED AT Q5a

(SINGLE CODE)

- Conferences - FCA
- Conferences - other
- External advisers (lawyers, compliance consultants etc)
- FCA 'Regulatory Round-up' email
- FCA customer contact centre
- FCA speeches
- FCA Handbook
- FCA newsletters
- FCA supervisor discussions
- FCA Website
- FCA information packs
- Letters from the FCA
- The media
- Social media (eg Twitter)
- Trade Associations
- Other (please specify)

Q8 Thinking of **all** the information that you have seen, heard or read from the FCA – how would you rate the **consistency** of that information?

(SINGLE CODE)

- Very consistent
- Slightly consistent
- Neither consistent/ nor inconsistent
- Slightly inconsistent
- Very inconsistent
- Don't know

Q9 And still thinking of **all** the information that you have seen, heard or read from the FCA how satisfied are you with the communication from the FCA?

**Extremely
dissatisfied**

**Extremely
satisfied**

1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q10 Which, if any, of the following ways would you most like to see the FCA improve communications?

PLEASE TICK ALL THAT APPLY

- Simplify communications (use plain English)
- Ensure communications are concise
- Include summaries in longer communications
- Improve the usability of the handbook
- Access to more conferences and roadshows
- Targeted communications for different types of firms
- Improve the website
- Be more responsive when dealing with firms
- Improve the tone of communications
- Nothing to improve – the communications are fine
- Something else (please specify) _____
- Don't know

FCA Statutory Objectives

DESCRIPTION

The FCA has a **single strategic objective of ensuring financial markets function well** and three operational objectives:

Securing an appropriate **degree of protection** for **consumers**

Protecting and enhancing the **integrity** of the **UK financial system**

Promoting **effective competition** in the interests of consumers in the financial markets

Q11 asked for each of the three objectives

Q11 How confident are you that the **FCA's** oversight of the industry will deliver on the following statutory objectives?

(SINGLE CODE)

Very confident

Fairly confident

Not very confident

Not at all confident

Don't know

Q12 And overall how confident are you that the FCA's oversight of the industry delivers on its single strategic objective of ensuring financial markets function well?

(SINGLE CODE)

Very confident

Fairly confident

Not very confident

Not at all confident

Don't know

Q13 Why do you say that?

OPEN END RESPONSE

Q14 Which of the following is your firm currently regulated by?

(SINGLE CODE)

The FCA only

The FCA and the PRA

Q15 To what extent do you agree, or disagree, with the following statements about FCA regulation?

FCA regulation is risk-based

FCA regulation is predictable

FCA regulation is forward looking

The FCA is an effective conduct regulator

FCA regulation is outcome-focussed

FCA regulation is transparent

The FCA pays sufficient attention to prudential risk for single-regulated firms (**ask to FCA-only regulated**)

(SINGLE CODE)

Strongly agree

Slightly agree

Neither agree / nor disagree

Slightly disagree

Strongly disagree

Don't know enough to answer

Q16

In relation to [IF Q6=C1 OR Q2: your FCA supervisors] [IF Q6 = C3, C4, OR 'Not aware': the FCA staff] (supervisors' teams or the FCA customer contact centre), to what extent do you agree with the following statements:

TEXT SUBSTITUTION: For C3/C4 FIRMS, AND THOSE SAYING 'NOT AWARE' at Q6, REPLACE "My

FCA supervisors" with "FCA staff"

My FCA supervisors are knowledgeable about FCA rules and requirements;

My FCA supervisors understand my industry sector;

My FCA supervisors have sufficient experience;

My FCA supervisors exercise good judgement;

My FCA supervisors are appropriately qualified and have the necessary skills to undertake the role;

My FCA supervisors approach is consistent with that from the leaders of the FCA, and the FCA's wider policy approach.

My FCA supervisors have sufficient knowledge to understand my firm

(SINGLE CODE)

Strongly agree

Slightly agree

Neither agree / nor disagree

Slightly disagree

Strongly disagree

Don't know enough to answer

IF DUAL REGULATED (FCA and PRA)

Q17 To what extent would you agree that the FCA and PRA are effectively managing the differences or conflicts in their requirements from your firm due to the different statutory objectives of the two regulators.

(SINGLE CODE)

Strongly agree

Slightly agree

Neither agree / nor disagree

Slightly disagree

Strongly disagree

Don't know

IF DUAL REGULATED (FCA and PRA)

Q18 To what extent would you agree that the FCA and PRA are working effectively together in their day to day supervisory activities (e.g. supervisory activities and data requests)

(SINGLE CODE)

Strongly agree

Slightly agree

Neither agree / nor disagree

Slightly disagree

Strongly disagree

Don't know

Q19 Which of the following best describes how you feel about the number of information requests your firm receives from the FCA ...

(SINGLE CODE)

- Fewer than I would expect
- About right
- A lot but I understand why it is needed
- More than seems necessary for the FCA to do its business

The impact of FCA regulation on your own business

Q20 We would now like to ask you a few questions about regulation in relation to the industry as a whole and your firm.

To what extent to you agree or disagree with the following statements:

- Strong regulation is for the benefit of the financial services industry as a whole
- FCA regulation has resulted in my firm reducing the types of business we conduct
- FCA regulation places my firm at a disadvantage compared to our competitors based abroad
- FCA regulation restricts innovation within my firm
- The FCA is effective in facilitating innovation within the UK
- The FCA is effective in facilitating competitiveness within the UK
- The level of regulation on the industry is detrimental to consumers' interests

(SINGLE CODE)

- Strongly agree
- Slightly agree
- Neither agree / nor disagree
- Slightly disagree
- Strongly disagree
- Don't know

Q21. And to what extent do you agree or disagree with the following statements regarding the FCA's enforcement procedure

- The FSA's enforcement procedure is understood by the industry to be a credible deterrent
- The publication of fines undermines confidence in the industry overall
- The FSA's enforcement procedure is being used in a way that serves to better protect the consumer
- The FCA's enforcement procedure delivers the appropriate message to the industry

(SINGLE CODE)

- Strongly agree
- Slightly agree
- Neither agree / nor disagree
- Slightly disagree
- Strongly disagree
- Don't know

Q22a Over the last year, which of the following, if any, has your firm experienced as a **direct result** of regulation? Please tick all that apply.

(MULTI CODE) – RANDOMISE

- Increased resource requirements
- Regulatory enforcement action
- Withdrawing a product or service or from serving specific consumers groups
- Choosing not to launch products
- Increased cost of a product (e.g. increase APR, premium etc)
- Transfer of head count from customer facing roles to compliance
- Being placed at a disadvantage compared to competitors based abroad
- Needed to move activities overseas
- Inconsistent legislation
- Changes in regulation being applied retrospectively
- Greater consumer confidence
- Increased sales
- Greater market stability
- Greater consumer engagement in transactions
- More competitive marketplace
- Enforcement action against your firm
- None of these

ONLY SHOW Q20 IF THE RESPONDENT TICKED 3 OR MORE AT Q19

Q22b Which would you say have had the greatest impact on your firm? Please tick all that apply.
Select up to three

ONLY SHOW THE CODES BELOW WHICH THE RESPONDENT SELECTED AT Q17

- Enhanced resource requirements
- Regulatory enforcement action
- Withdrawing a product or service or from serving specific consumers groups
- Choosing not to launch products
- Increased cost of a product (e.g. increase APR, premium etc)
- Transfer of head count from customer facing roles to compliance
- Being placed at a disadvantage compared to competitors based abroad
- Needed to move activities overseas
- Inconsistent legislation
- Changes in regulation being applied retrospectively
- Greater consumer confidence
- Increased sales
- Greater market stability
- Greater consumer engagement in transactions
- More competitive marketplace

Q23 Are you aware of any enforcement actions in the last two years which have been relevant to your business?

(SINGLE CODE)

Yes

No

IF AWARE AT Q23

Q24 What actions, if any, have you taken as a consequence of this enforcement activity?

(MULTICODE)

Discussed the specific issues at a Board meeting

Implemented a specific review of your own business

Carried out a review of your conduct risks

Made a change to your business model

Reviewed your firm's remuneration structures and processes

Called meeting(s) specifically to discuss the issue

Introduced or changed training modules

Sent communication to all relevant staff

Other (please specify)

None

Q25 What are your firm's main concerns about regulatory policy over the next 12 months, whether thinking about both UK or European proposals?

Please type your answer in the box below.

OPEN ENDED QUESTION

ALLOW NO COMMENT

Q26 If you could deliver a single message to the Board of the FCA, what would it be?

Please type your answer in the box below.

OPEN ENDED QUESTION

ALLOW NO COMMENT

Finally, so that we can put your views into context, could you please answer the following questions on your type of business.

Q27 How many full time staff (or equivalent) are employed by your firm in the UK?

(SINGLE CODE)

- 0-9
- 10-19
- 20-49
- 50-99
- 100-499
- 500-999
- 1000 or more
- Don't know

Q28 How many customer facing staff does your firm have?

(SINGLE CODE)

- 0-9
- 10-19
- 20-49
- 50-99
- 100-499
- 500-999
- 1000 or more
- N/A
- Don't know

Q29 How would you describe the type of business you conduct?

(SINGLE CODE)

- All retail
- Mainly retail
- Part retail, part wholesale
- Mainly wholesale
- All wholesale
- Don't know

Q30 And where are your customers located?

(SINGLE CODE)

- Only in the UK
- Partly in the UK, partly overseas
- Only overseas
- Don't know

Q31 This questionnaire may have been completed by one or more individuals. Who has completed this questionnaire?

(MULTI CODE)

- Chief Executive/MD
- Partner/Principal in the firm
- Group/Head of Compliance (responsible for 2 or more regulated areas of authorised activities)
- Senior/Principal Compliance Officer (responsible for single area or regulated activities)
- Financial Director
- Other (please specify)

Q32 Thank you for completing the survey. Thinking about the topics we have covered, are there any major issues about regulation and the industry which you feel should have been covered in this survey?

Please type your answer in the box below.

OPEN ENDED QUESTION

ALLOW NO COMMENT

Thank & Close