

Financial Services Strategy  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ



By email

7 April 2026

Dear Sir/Madam,

## **Consultation: The Appointed Representatives Regime**

The UK's Financial Conduct Authority (FCA) Smaller Business Practitioner Panel (the Panel) is a statutory Panel created by the FCA with the key remit of representing the interests of practitioners of small and medium sized firms, and providing input to the FCA from the industry in order to help it in meeting its statutory and operational objectives in an effective manner. Further details of the Panel are available on its website at: <https://www.fca.org.uk/panels/smaller-business-practitioner-panel>.

The Panel welcomes the opportunity to respond to this consultation and is broadly supportive of the intent of the proposals. Our main comments and queries relate to the need to consider how different elements will apply in practice, being particularly mindful of unintended consequences. The August 2025 policy statement recognised significant improvements have been made to the AR regime since 2022, including new rules and guidance, increased engagement and targeted supervision of principals. It is therefore vital that any further changes made are proportional to the risks being mitigated, which will also depend on how the FCA implements.

We have highlighted particular areas for attention below.

### **A Principal Permission**

- Comparisons have been made to the introduction of a permission for approving financial promotions (in 2023). The latter was introduced because too many non-compliant promotions were being approved leading to significant and unexpected losses for retail investors. However, given the strengthened obligations on principals following the 2022 SUP rule changes and ongoing data collection, there is already strong FCA oversight on principals and it is not clear what actual harms this is seeking to correct.
- We welcome that existing principals would not be required to apply for the new permission, which will help smaller firms. It would be helpful to receive confirmation there will be an automatic "grandfathering" process which would not require the FCA to undertake an extensive information gathering exercise.
- The circumstances in which the FCA might apply its new power to decide to vary or withdraw a firm's existing ability to act as a principal are unclear and might suggest some form of assessment is in scope, which could be contrary to automatic grandfathering that has been implied – if this is not what is intended it needs to be clarified.

### **Extension of FOS jurisdiction to ARs:**

- We are supportive of the change to enable FOS to directly consider complaints where the principal cannot be held responsible for its ARs' acts or omissions, to ensure all consumers are protected, though note that only a very small percentage

of consumers of mortgage-based AR firms would likely be affected by this change so the overall impact is likely to be negligible.

- ARs will not be required to hold PII but without this it is unclear how consumers could obtain redress if an AR firm is unable to pay (but does not fail because then FSCS would step in). This liability would not fall on the ARs' principal but in practice creates an unwanted reputational risk for some (if a principal was subject to media connection following a consumer losing money). How would this work in practice?
- The proposal indicates potential changes to the DISP 1 rules that place additional obligations on principals to, for example, ensure that their ARs cooperate with FOS. We would seriously question whether it is appropriate to involve the principal in the complaint where the AR has been determined as responsible for a particular action or omission.

### **Bringing ARs within scope of the SMCR:**

- We have concerns about the potential of this proposal to have a significant and unwelcome administrative impact, and note it risks diluting the purpose of the AR regime by potentially blurring lines of responsibility – a factor that often dictates why a firm decided to become AR rather than Directly Authorised in the first place.
- If a new dedicated AR Senior Management Function (SMF) is created in principal firms, existing CF1 holders should be automatically grandfathered over. Principal firms may otherwise have to submit hundreds of applications for each firm.
- Regardless, the change will require considerable work within both the principal firm, and its ARs, to educate senior managers and meet FCA Code of Conduct Handbook requirements (COCON), e.g. to establish new statements of responsibilities. It is not clear that this would deliver any additional protection for consumers in practice.
- The existing COCON requirement for senior managers to take reasonable steps, seems to conflict with requirements and guidance under SUP12. For example, SUP 12.6.7 states the responsibility for the control and monitoring of the AR rests with the senior management of the principal. There is no proposal to replace or update SUP12 – is this intended?

We hope that these matters will be given appropriate attention as the proposals are further developed.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Will Self  
*Chair, FCA Smaller Business Practitioner Panel*