Financial Conduct Authority

Competition - a catalyst for change: Mary Starks video transcript

Why is competition in financial services important?

Competition is really important for making markets work well. Competition is a process of rivalry whereby suppliers compete to meet customer needs. This process drives costs and prices down, it drives choice and quality up and, possibly most importantly, it drives innovation forward. When markets are open to competition, new players can come in and offer services on a very different basis and that's the real engine for innovation in the economy. That is not to say that unconstrained competition will always deliver good outcomes for consumers in markets, and particularly in financial services markets, there's a very strong role for regulation to provide a robust framework within which competition can drive these outcomes for consumers.

What does the Competition Division do?

The Competition Division does three things really; firstly we run market studies which are a sort of holistic way of looking at how well a market is working. The second thing we do is we enforce competition law - prohibitions against anti-competitive behaviour by firms. And the third thing we do is work with other parts of the FCA to embed awareness of competition issues, to ensure that the FCA is regulating in a manner that supports competition.

What does competition mean for consumers?

For consumers competition means real choice in a market. It also means that if they are unhappy with the service they're receiving they can take their business elsewhere. The fact that they can take their business elsewhere should mean that the market stays good value, that it stays innovative, that the quality stays up; so all those outcomes are driven by competition in the market.

What does competition mean for firms?

For firms competition can be a challenge. It can cause firms to have to raise their game. For the industry as a whole, competition will tend to be good for competitiveness, good for the UK as a financial services centre. I think the second thing it means for firms is that when we look at a market and find that competition isn't working well, we can impose a range of remedies that can include making changes to our rule book. As well as new rules, we can withdraw obsolete or ineffective rules, so it can be deregulatory. And the third thing it's important to emphasise is that firms need to be aware of competition law and of the implications of competition law for their businesses.