Inside FCA Podcast: Andrew Bailey interview on challenges and achievements

OI: Hello and welcome to the Inside FCA podcast. I'm Ozge Ibrahim and today I'm speaking with Chief Executive, Andrew Bailey, who will be talking about the achievements and challenges of the last 12 months and his memories of his time at the FCA as he prepares to move on to become the next Governor of the Bank of England. Hello and welcome, Andrew.

AB Thank you.

OI We're at the start of a new year with change ahead for the FCA as you prepare to take on your new role. Firstly, congratulations on your appointment as the Governor of the Bank of England. Looking back, what are you proud of and what would you like to be remembered for?

AB Well, I'm proud of the FCA, that's the first thing to say. I've been on the Board since the FCA was created and I've been Chief Executive for the last three and a half years and I'm proud of a lot of things that we've achieved. I think actually first of all I want to say there are a lot of things that we've achieved – if you sit in my seat, you can't help but be impressed and sometimes somewhat overwhelmed by the amount of stuff that we are doing. This is an institution that manages to get through an enormous amount of work and stuff and that's very impressive. People don't realise, I think, often, just how broad and extensive the responsibilities of the FCA are. I can tell you, you realise it in my seat because you see everything that's going through and it's impressive.

I'm very proud, if I think back to the start of my time as the Chief Executive, you know, the thing that I focused on when I came here was very much doing the Mission and the reason for that was that I felt it was very important as a big institution with a big role and a new institution, because we are new and we were even newer then, that we were very clear to ourselves and to the outside world how we interpreted our role, functions that parliament has given us. And it's interesting looking back now that actually that work that we did initially on the Mission has led to further work which I think is, you know, sensible, it's not just further navel gazing, it really is further work to really hone and define what we're about and that will go on because obviously the world changes around us and we have to respond.

And although it's always invidious to pick any one thing out which I think would be wrong because this institution does so much and so many people do so much – one of the bigger issues that came out of the Mission was how we think about vulnerability and vulnerable people in society, vulnerable consumers and I'm very proud that, (a) I think we have led the way in that work and that thinking because other regulators are now following us, (b) because it's led to some, I think, very big developments in terms of what we've done. So, I think about the interventions that we've made in high cost credit, the interventions we're making in pricing and other areas, the interventions that we've made in terms of advice given to people and I think the fact that we've had this much greater focus on particularly those who are least able to deal with financial services, who need access to financial services, I think the fact that we develop that focus out of the Mission has for me been a huge thing – I'm very proud of it. And I think it gives, I hope, anyway, gives the FCA a real platform to build on in that sense.

OI How do you expect to be working with the FCA in the future and what role would you like it to play in the regulatory landscape, particularly as the UK leaves the European Union?

AB Well, I mean, I expect and hope I will be working very closely with the FCA, the Bank of England and the FCA are, you know, very close partners. I don't know, I've obviously gone over the divide twice now, or about to go over for the second time, and I've always found that it's interesting when you, as you do work as I have worked in both places, there are many common things between the two organisations – they've got different roles somewhat but they are – we're working on many common issues, so I expect obviously to be seeing FCA colleagues to come. Please, you know, do look me up, I shall be following the FCA very closely and, you know, I want to say this – you will have a very strong supporter, I'm a very strong supporter of the FCA. We need the FCA, the FCA's a vital institution for this country.

It's also interesting, one of the things that always interests me as we go around, as I interact in international bodies a lot, the FCA is almost unique in terms of the breadth of what it does. Many of our counterparts are doing essentially the same things in wholesale regulation that we're doing and doing them slightly differently often, but they're doing fairly similar things. Very few of them are doing as extensive a role in retail conduct regulation and even fewer are doing both together in the same institution but that again underlines how important the FCA is and, you know, that importance will be emphasised, I think, by obviously the world ahead post the UK leaving the European Union.

There's obviously a lot still to be worked out there, I mean, we're entering the second phase of that process which is all about the future relationship and for us in financial services regulation, obviously it actually is the critical phase in my view because obviously it will define how the regulatory framework works and how it enables market access. But I think it will naturally increase the importance of organisations like the FCA and the Bank of England because to the extent that as members of the European Union, and obviously the UK is a member of the European Union and we've been part of a collective decision-making process, I think wherever we end up, that will be less true in the future and we will have more responsibility, we will be doing things on our own that in the past we've more tended to do as part of the European Union, so it will put more emphasis on the Bank and the FCA as domestic institutions. I think both of them, both institutions are well set up to take that on. I don't see that as a problem.

But it will be, I think, a very interesting future as it evolves in that sense for both of us and I'm certainly looking forward to it and I'm looking forward to seeing how both institutions respond to it, but I think it's absolutely critical that we work closely together which I'm sure we will.

OI Looking back at 2019, what have been the FCA's biggest achievements?

AB One of the biggest achievements has been that we've managed to do all the work that we've needed to do on Brexit and actually achieve many, nearly all of our other business priorities and that's important and to me at the beginning, certainly at the beginning of the year, actually going back before this year, was not a given by any means. It's been on my mind for quite a while as to how much we would have to, you know, frankly make hard choices and sacrifice things because the necessity to, obviously to do Brexit preparations, I think it's a huge credit to the FCA and all staff that we've actually managed to do both.

It's not been easy, it's not been easy for everybody but I think it's very hard – it's a very hard world for us in that sense that to go out and say we're not going to do something that matters to people in this country that actually, you know, is part of our objective, in a sense part of our duty to do, because of this other thing that we've got to do, Brexit, is a hard message to give. I'm pleased that we haven't had to give that message too much but it's not easy.

So, I think great credit to the institution, to all colleagues, that we've really managed to keep balanced and actually achieved a lot in that field notwithstanding all the work we've had to do on Brexit.

OI One of the defining campaigns of last year has been PPI. What can you tell us about the campaign now it's over?

AB Well, I think the PPI campaign is fascinating. So let me go back to 2016 when I became Chief Executive. So, very early on in my team as Chief Executive, the thing was sort of in its early planning stages and we'd taken the decision as to how and when we would bring PPI to a close and more particularly what it would take to do it because I think the important thing to bear in mind there is that it wasn't just a matter of saying, 'Oh well, it's been going on for nearly a decade now – surely enough is enough as it were, people have had their chance'. It was very clear and actually particularly the legal advice was very clear that that would not be an argument that we would win in court, were we challenged on it and the argument was that we had to do a campaign of public awareness which would make our position robust in the sense of being able to say, 'Look, not only has it been going on for ten years but actually we've had this campaign and, you know, a reasonable person would have had the chance to realise PPI was coming to an end'.

So then we had to plan the campaign. Now, I don't for a moment want you to think that I've done the artistic work on it because I haven't, I'd not be the right person to do it. I remember quite early on in my time when we did the sort of, the work on who would be a person or a figurehead with sufficient public recognition to really get the message across and the team came and said after doing testing with consumer groups, 'It's Arnie' and there was a certain amount of, 'Oh really? Surely not Arnie?'

But we went ahead and obviously we created a very high-profile campaign. I learnt lots of things from this because I've not been involved in such a high-profile campaign before; first of course, whether you think that our advertisements, our ads were great works of art or not actually doesn't matter and I don't say that to belittle the team - we've had this joke many times. You know, you need to remember it, not like it for its creative characteristics. There's a great scene in one of the Pirates of the Caribbean films actually where Jack Sparrow has this conversation with an English officer and the English officer says, 'You're the worst pirate I've ever come across' and Jack Sparrow says, 'Yes, but you remember me'!

And I'm not saying our ads are the worst ever because they're not, actually they're rather funny, I thought they were funny anyway and actually my family thought they were funny, because I told them – I didn't tell them they had to find them funny but the point being is that people remembered them and that's the impact on it.

So, it had a really big impact and of course we saw that in the volume of activity around the deadline which we always thought was going to be quite high but we had no idea how high it was going to be and it was indeed high. So I think the campaign has achieved exactly what we set out to do, great credit, it was a, you know, interesting and novel avenue for the FCA to go down and actually I think there is a broader learning point here – I don't expect us to do another Arnie but I think we probably will actually be more active, I think we're already discussing – we have another campaign, ScamSmart, which is very important and actually very well received in its own right and we're already discussing what could we do more with it, raise its profile, and I think that's one of the lessons and the learning points from the PPI campaign.

OI Over the course of 2019, the FCA's been talking a lot about high cost credit and overdrafts. Can you update us on how that work has gone over the last few months?

AB Yes, so, we've done a lot over the last year or so as you rightly say and we've really covered pretty much all of the waterfront now in terms of the landscape of high cost credit, and it is a waterfront as you know because there are a range of products in high cost credit – payday lending tended to get all the focus early on but there's quite a few other products which we've dealt with – rent to own, you know, buy now pay later, home collective credit.

We've now acted across all of those plus on credit cards, plus on overdrafts so I'm very pleased and when you look at what people say about the FCA, two things to me – one, this has been a huge, I think piece of work for us over many years, going back to, right back to the beginning of the FCA really. It's made a huge difference, no question about that and also, if you look at the emphasis we put on vulnerable consumers which we do, it's obviously work that directly addresses vulnerable consumers and the misconduct that they can be exposed to.

So it's very welcome. Interestingly, of course it is leading to firms exiting, we've seen Wonga go, we've seen some other payday lenders go. We're not trying to put them out of business, let's be very clear, that's not part of our function but I think it's necessary and inevitable that we're dealing with business models that frankly should not exist. So we then have to deal with the consequences of those and that's what quite a bit of the work, particularly in supervision, is about today – that's necessary and inevitable, we don't apologise for it. I'm afraid some of those things are necessary consequences of the steps we're taking.

I think the final thing I'd say, and this is going to be the work that has to keep on going and it's not fully within our power by any means is of course – is to ensure that there are satisfactory answers to the question, 'What are sensible sustainable sources of credit for sections of the population that need access to credit' – don't think we should for a moment think there's large numbers of people who should not have access to credit, who need access to credit but they need access to credit on terms which are affordable and sustainable and that's a question which the FCA can't solve on its own but can contribute to and I'm very pleased we are. But we've got a lot further to go on that, I think.

OI During 2019, the FCA announced three reviews into our own work – what form will these take?

AB So they are all independent reviews, they're not actually quite the same because the legislation prescribes slightly different forms and we can also choose to do them where they are lessons learned exercises rather than the ones prescribed on the legislation. They're all being led by independent outside parties, all by very experienced lawyers in fact, actually, and I think that's obviously appropriate and necessary, they've got to be seen to be independent to us, we're supporting them, we've got teams supporting them, the risk area of course is providing a huge amount of support to the process of the reviews and I know they will involve quite a lot of staff who will, in a sense, have been part of the work on the relevant issues.

They do, I would say, obviously differ in their vintage. So, if I just work through – I mean, in a sense the oldest one in terms of the offences is Connaught which, the failure of Connaught was now I think over a decade ago, it is over a decade ago – hedging products, obviously quite dated as well now, not quite as old as Connaught but quite dated, London Capital Finance, much more recent. So they do have different sort of, different vintages if you like. They are quite various in terms of their origins, you know, it's sort of interesting and not planned that they've all come together.

So if we take them in turn, Connaught, obviously quite an old issue now, the failure of Connaught was a decade or so ago, but it was the timing of this review, which is necessary I think when you have an issue like that, it's quite controversial when you go back in time, had to coincide with the end of the particularly the investigative activity which we'd been doing.

OI And this was into a Whistleblower is that correct?

AB There was a Whistleblower involved, yes, it was a failure of the firm, say over a decade ago. Can I also mention something on Connaught that I think is also important as a credit to the FCA and by the way I'm going to phrase this in terms of 2016 when I became Chief Executive but I don't say that to take any personal credit whatsoever but in 2016, there was no money on the table as it were in terms of redress for the Connaught victims. Today, thanks to the work of the FCA, thanks to the work of enforcement and the investigative work, over £60 million is available to the victims which is not all the money which they feel they should get back but actually it's about equivalent to the principle sum involved and that money, let's be frank, would not be on the table were it not for the work that's been done here at the FCA.

But it's necessary that we look back at all the issues that happened in the past. Move on and I'm trying to do this roughly chronologically, well, not roughly, chronologically. Interest rate hedging products, obviously huge issue, I remember back to the days when the FCA was set up, it was one of the biggest issues around, the mis-selling of interest rate hedging products. Again, a large amount of work done on redress around that time. Let me be clear, this review in particular is not about regulatory failure, we've always been clear on that, it's about lessons learned when you undertake a piece of work as big as that was.

There are people who are, you know, unhappy about the process and about the outcomes in the interest rate hedging products and the review will be looking at those, but not from the point of view I think of individual cases so much as were the lines drawn in the right places, for instance – I think that's important. It's also of course true and here I'm going to come on and I'll come onto this in the context of London Capital & Finance as well that interest rate hedging products introduces one of the other themes that I'm sure we'll probably come onto which is the perimeter, because again it was an issue that was actually largely outside the – much of it was outside the perimeter, not all of it, and it illustrates the complexity of the perimeter and again I'm sure there are lessons we can learn from that review.

Then I come onto the one of course that is more recent which is London Capital & Finance where again obviously for something that is as large as that and has victims who have, you know, suffered as much as they are doing and while I hope that the insolvency process will recover, you know, substantial funds for them, it is a very difficult and complex issue and again it has this complex issue about the position of the perimeter within the FCA's perimeter because we don't regulate mini-bonds themselves but we do regulate some aspects and some areas of the promotion of them.

Also, and I would just say because I said this to the Treasury Select Committee back in the summer when Charles and I had a hearing that while I do not in any sense wish to pre-judge and anticipate what the review is going to find, when I went back and looked at the saga and history of London Capital & Finance, going back quite a few years actually, the question that was left in my mind and this again is a perimeter question and I think in good part is – it's not that the FCA didn't intervene, it's why the firm managed to in a sense avoid the consequences of those interventions.

So the report, and what I'd finish by saying is that I think as an institution I know it can be very difficult to do these reviews, I know it can be very personal, I know it can be feel that the institution is under attack – I think we just need to step back and say, 'When you do our job, it's a necessary part of doing our job that we do take stock and assess the consequences of things we've done' and particularly those things, let's be honest, that are quite controversial in the outside world or, you know, are perceived to have gone less well.

OI If we pick up on the mini-bonds that you've just mentioned there, at the end of last year, the FCA exercised its temporary product intervention powers to ban the promotion of certain financial products, this includes mini-bonds. Why was the decision taken to do this and what do you expect might happen as a result during the course of this year?

AB The way I explained it when I did the sort of media interviews for it was very clear that over the course of the last year, really since London Capital & Finance blew up, we have taken a series of steps on mini-bonds again reflecting the complicated position in terms of the perimeter and I split those steps into really two groups; one, work that we've done as supervisors in relation to mini-bonds and particularly really promotional activities of mini-bonds and the mini-bonds that are behind those promotional activities. We've intervened on a whole series of cases and there's been excellent work done by the team that have really worked to, I know, in real detail map out some of the very complex linkages that these things have and what actually lies behind these bonds.

Now, the second thing we've done is a lot of work that's been done particularly on the investigative side and particularly in relation to those mini-bonds that frankly look like outright frauds in the sense that they're not even trying to get promotional approval. The fact of the matter is, and this is again a challenging area for us, you know, you can put a mini-bond promotion up on the internet basically by creating a website and renting a temporary office.

Now, we've done a lot of work on that front, particularly the unauthorised business department have done a huge amount of work on that front – you look at the increase in the number of warnings we've put up, a lot of activity, so that's the second thing. The second part of the first group.

The second group of activity is where we are frankly trying to influence others to give us help where we think we need it and again I pick out two things that we did; one, we would like much more assistance from the big internet service companies, particularly Google, to be prepared to establish an evidential standard by which if that evidential standard is met, they take down very quickly promotions that we identify to them are frauds or misleading. I think that's a very reasonable thing to ask, we are, you know, in discussions with Google, we're in discussions with Facebook amongst others – I think we should have made more progress this year and frankly that's not a criticism of the FCA, you know – it is quite hard going with these companies, they tend to want to think of problems – if you've got a global problem, bring it to us. Well, we haven't got a global problem, we've got a UK problem and we want it solved and they're a big part of it.

So we haven't made the progress there that we wanted to but we are still very much working at it.

The second thing, which again we haven't made progress on yet, not least because of the politics has intervened, is that there is, as people may know, proposed legislation on online harms. To be clear, the origins of this legislation are really very, very serious problems that are not in our world but are terrible things that have gone on obviously. But I think it's an opportunity, if the government is going to legislate and certainly the previous government was, and I would hope and expect that the next government does, that the definition of online harms includes financial harms and we again get some leverage through that.

But that hasn’t happened. So, we took stock of the fact that we’d made progress but we haven’t made all the progress we would have hoped. We’ve got ISA season as one does coming around in the spring and we asked ourselves the question, ‘Have we got enough protection in place for retail investors in the bonds?’ and we took the view we had not, that we needed more protection. And so we introduced the temporary ban on promotion to retail investors.

We will also as we said consult, and we expect to consult in the course of the next twelve months on making that a permanent ban, we need to consult to do that, we introduced a temporary ban without consultation which we can do to emphasise how important it was.

Now, actually the reaction, people have said, “Yes, we welcome the fact the FCA is doing it”, some people have said, “Too little, too late” – I would put that into the context of all the other things we’ve done this year, I also don’t think it’s too little – we didn’t enact for all mini-bonds because we wanted to highlight and focus on those mini-bonds that are what we call complex and opaque and I think that’s right. The fact that John Lewis issued a mini-bond to fund themselves I don’t think is complex or opaque and we shouldn’t particularly have a problem with retail investors buying it.

But, there are ones where it is obscure to the investors what their money is invested in and it’s obscure to them what security they have over those assets that they’re invested in and we felt that was not appropriate for retail investors.

OI Andrew, you spoke about the perimeter earlier and the future of regulation is also something the FCA’s been talking a lot about. Is that something, is the perimeter issue what you’ll be looking at going forward?

AB Well, I think priorities for us in the perimeter will be the perimeter and the future of regulation. Let me put both of those into a bit of context, I think it's worth having. So, start with the perimeter – it's complex, too complex – I mean, the best way to illustrate this, I think, is not only do we find it hard at times, I think about the amount of work we have to do to really clarify where the perimeter is and how we should act upon it, but I always say to colleagues if we're finding it that hard, what chance do we have of explaining it to the public? And I'm not criticising us by the way, I'm saying if it takes as much work as we have to put in on some of these questions to define the perimeter, we have to get legal counsel involved, they come back with delicate probabilities of which side of the arguments are the right one to be on – translate that into the world of explaining it to the public and you don't really have much optimism at that point and that's a big issue and one that we will be talking further to the government - Treasury Select Committee rightly are very, very interested in it.

We've committed and will produce an annual report on it and I've said that we will in those reports, we will give our view – it's for government and the parliament to decide ultimately where the perimeter is set, it's not for the FCA and appropriately so but we can give a view because let's face it, we have the hands-on direct experience of dealing with the perimeter every day.

OI And that, just to clarify for people who don't understand, that is what we legislate and what we don't.

AB Yes, it's where the legislation defines the boundary of what we do. The problem is, I mean, there are several, if you like, dimensions to the problem. One, obviously the world changes, so something like crypto-assets comes along and changes the world, and so the perimeter which was designed for a previous world, you know, fits some of crypto but it doesn't fit other bits of it, it just doesn't apply to other bits of it.

Second example is I'm afraid age old – any place you define a boundary, people will try to arbitrage their way across it. Best example – funeral plans, you know, some years ago back in the FSA's days, funeral plans were moved into the FSA sphere but it was done in such a way that there was a loophole and guess what – the industry went through the loophole. Then you get questions that have been obviously around for a long time, they're not new, which is should small firms be inside the perimeter or outside the perimeter? A long time ago, a decision was taken by parliament on that, we've had a lot of experience since then – it's right that the question is revisited.

And then you get questions or areas where it is just incredibly complex. So the promotion of mini-bonds is an example of that, what's in, what's out – you get into questions such as what is advice and what isn't, and what is advice in a world where the boundary is complex is even more difficult than what is advice when it isn't complex. So, all of these questions are ones that I think, you know, quite rightly parliament and the public expect us to give them our insights on and we will do that.

So let me move onto the future of regulation, you know, why have we put this on the table now is a question very reasonable to ask. I think there are really several reasons for this but let me, I think, really I'll pick out two or three of them.

First, obviously Brexit. Brexit will change our world because much of our world for the last thirty or forty years has been decided in the European Union. Now, of course, the big issue for the financial services sector is really part two of the Brexit process, the one that didn't happen at the start which is what's the future relationship between the UK and the European Union going to be? And, you know, I would anticipate that that will evolve over the course of the next year and we need to be part of that and of course that will have an important bearing on how we interpret our world, what our world looks like going forwards because how much of our world is going to be decided by an international process, how much of it's going to be decided by a domestic process, what is that domestic process going to look like given that it hasn't really existed in a fully formed fashion while the UK has been a member of the European Union and if you go back before the UK was a member of the European Union, there wasn't really financial regulation. So, this is new and a big issue for us, for parliament, for governments.

The second issue is that, in terms of what lies behind the future of regulation is that our world is changing and has changed. I think one of the biggest changes we have is the increase in the size of our world – this is what I sometimes call the "58,000 challenge". We have 58,000 firms roughly, changes week to week but it's around that number – just back to the FSA for a moment, the FSA had, I think, about 24, 25,000 firms so the FCA's world is, you know, the number of firms is more than twice as large. Most of that's due to consumer credit, not all of it but most of it is due to consumer credit, so the world has changed.

The balance of firms has changed, you've got far more small firms. I think also the world has moved on in the sense that the FCA, when it was set up, was designed in a world where conduct problems were – well, the most prominent conduct problems were coming from big firms, so LIBOR, FX-manipulation, PPI, were all basically big firm problems and the FCA was set up with that in mind.

Today, we've got a lot more small firms, I don't want for a moment to pretend that the big firms are, you know, virtuous all the time, because they're not but relatively speaking, and I emphasise "relative", the challenge for us has shifted, shifted more towards the small firm world and of course the very numerous small firm world and we have to respond to that and we have to adapt how we go about our task and meet our objectives in a world where that challenge has changed.

Now that brings me onto the third point I wanted to make. To do that, but also frankly just to operate in our world these days, we have to be able to put data to use, analyse data, we have to become a data driven organisation, an organisation that puts, gives its staff, you know, tools that they can use, you can use to analyse data, to look across the peer group of firms that you look at, to frankly say, 'Who are the ones that I should be focusing on?' because we can't focus on 58,000 firms every day of the week, that's just not possible. So, we have to have tools that help us all to do that task.

I think we've made a good start on that front, let's face it, the FCA is regarded internationally as a leader in this field amongst regulators, something we should be very proud of, but we've got a lot to do. We know we've got a lot to do and it's a crowded landscape – we're trying to do Brexit, we're trying to do all the challenges that come at us from our world which are many and varied and constant, and we're trying to reform ourselves and reform our approach to using data.

OI Going back to last year finally, Neil Woodford's funds got a lot of attention.

AB Yes.

OI What's the FCA been doing in this area of investment management?

AB Well, you’re right that I think it’s interesting that there is a lot more focus now on investment management, on the asset management world. I think that’s right because of several things that are going on around us – one, I think, following the financial crisis, there’s been a necessary and sensible shift to using banks to carry out financial activity, relatively now much more of it happens in the non-banking world of which asset management is a big part, and that was deliberate in a sense because some of the lessons in the crisis was that there were assets on the balance sheet of banks that shouldn’t be there – so that’s sensible.

Second big thing which I would emphasise, which by the way I think is one of the biggest challenges we face in the FCA is that in the UK, far more of the population are more exposed directly to asset prices and asset values than they were in the past. So this is a big change obviously in the pension system particularly, it’s been going on for quite a long time but it’s obviously accelerated, I would say in recent years, particularly with the ending of things like compulsory annuitisation.

Now, if you asked me what worries me most about our landscape, I would say one of the things that worries me most is that we have, as I say, a population that’s far more exposed to asset prices, there hasn’t been a major fall in asset prices now since the crisis and of course we don’t want one to happen but they do happen and I do think that there is not as great an understanding of what the consequences of that could be, how people for instance plan their retirement income based on assumptions on asset values and of course that would land – when a correction of asset prices does happen, it will land on our doorstep.

Now, what we do see, coming to Neil Woodford for a moment, is that we do see what I would say are, you know, fairly idiosyncratic events which do illustrate this issue and Neil Woodford is this year certainly, or last year, the most prominent of those – I don’t think this is illustrative of a wider problem in the asset management industry but, you know, here’s somebody who’d become a star fund manager, built up a sort of following and a reputation, acres of personal finance journalistic columns devoted to him, he was their hero until he wasn’t and then he became the villain and he didn’t manage his funds well.

Actually, however, we have to be careful here in what we want to achieve out of this because why didn't he manage his funds? Well, he invested in illiquid assets more than he probably should have done but I've been clear that we do not want to kill off investment in illiquid assets, he invested in biotech, in artificial intelligence – well, we do want that in this country, we want investment, we want the economy to grow, we want jobs to be created but Neil Woodford didn't do it very well.

So, yes, it's a challenge for the FCA and it's a real challenge to the FCA but the last thing I'd say is we cannot live in a world where people think that the FCA will protect them against falls in asset values, that will not happen, it's not a society we can live in, it's not an economy we can live in but we have a lot to do to, in a sense, make that system safe. Yes, it has to be safe and it has to be well understood because people need to understand the risks they're taking and in a sense, you know, manage their exposure to those risks accordingly.

So, we can't have asset management funds that constantly rise in value all of the time, that's not a realistic expectation. Our job is, in a sense, is to ensure that they operate within sensible parameters, that they're transparent and that there is a broad understanding of the nature of what these investment management vehicles are.

OI Andrew, a major piece of work has been general insurance pricing.

AB Yes.

OI What's been the impact of the FCA's intervention so far, and what do you want to see happen next?

AB General insurance pricing is a very, I think, interesting example of the FCA's remit and work, so I think there's little doubt in this country that there is what I think we now call in our sort of technical language, 'price walking'. In other words, if you're a loyal customer in areas of general insurance, i.e. stay with the same insurer, you don't shop around, you will find that the cost of your insurance rises progressively year by year in ways that are frankly, you know, hard to, next to impossible to justify given the sort of way in which your risk might evolve.

And this is sort of what, to use a phrase, hiding in plain sight, if you like – it's not exactly as if you can't spot it but it hasn't been tackled and now we have done a huge piece of work, you know, has been done by the FCA which came out obviously a few months ago which first of all really, in a sense, laid out the evidence as we must do.

Interestingly, it's not that it wasn't there but it took quite a lot of work to really systematically lay it out but now we've done that, so that's fantastic. We've now got to the stage of sending out potential remedies for this, the remedies are interesting because we have to tackle quite a challenge here. This is not PPI in the sense of it is not firms profiting entirely at the expense of consumers, there may be some of that going on, by the way, don't get me wrong, but what you've got is in a sense one set of consumers against another set of consumers. So those consumers who shop around, who change their insurer year by year, use the price comparison facilities available, get better deals than those who don't.

So we've got a delicate balance here because we don't want to kill off competition at the sort of shopping around end of the market but we want to balance value between what they get and what those who don't shop around get, and particularly because those who don't shop around and those who get price walked, to use the term, are more likely to be vulnerable consumers. It's reasonable to expect, and indeed the evidence indicates that the vulnerable consumers are those who are less likely to shop around – they may be old, they may be infirm, they may not have internet access, whatever and therefore they are more likely to be on the wrong end of this practice and that obviously goes straight to the issues, particularly issues we set out in the mission and are very important.

So the next challenge for us is to devise remedies and put into effect remedies which in a sense meet that challenge, they meet the challenge of rebalancing, if you like, the sort of groups of consumers but they don't kill competition off at the shopping around end of the market because we don't want to do that, it would be counter-productive for a competition authority like us. That's quite challenging, I mean, I don't think it's any surprise in a way that this has been quite a tough nut to crack but it's enormously positive that we've got to where we've got to and a great piece of work by the FCA and by FCA colleagues.

OI Finally, looking ahead to 2020, can you summarise the areas of focus and your hopes for the year?

AB I have a number of hopes and focuses for the FCA. First of all, we've obviously got to go on dealing with what Brexit throws our way and I think the FCA has done a terrific job so far on Brexit and actually I'm really pleased that if you go outside the FCA, that people acknowledge this actually, but we've got work to do, clearly got more work to do.

We've got to go on balancing that with our other objectives but what we are doing this year in the business planning round is seeking to really sort of focus down our objectives, not because the rest of the work doesn't matter – this sort of 58,000 firm challenge we've got means that we've got a lot of landscapes that we have to operate on but I think because of that, because of all the demands on us, we've got to be very focused which is what we're doing.

The final thing I would emphasise this year is the work we're doing on transformation of the FCA, so this is again very important. It's about giving people the tools they need to do the job.

OI What does that mean and what does that look like for the year ahead?

AB We've drawn a distinction between the future regulation and transformation. The future regulation is going to go on for some period of time, I'm not going to give you a precise estimate because I don't know is the honest answer, but it's conditional and dependent on external events to some degree, particularly how, I think, Brexit evolves and the time over which Brexit evolves and obviously as the history of the last few years has said anybody sort of tries to forecast that, it's challenging.

So, we were also clear, that's the Board and ExCo [Executive Committee] were clear, that we had issues that we felt needed to progress, that we couldn't wait for the sort of dust to settle and the lie of the land to be seen on future regulation, we needed to tackle them more quickly such as ensuring that the FCA has the right data tools to do its job given the world that is changing very rapidly. Given the challenges we have, staff have the training and the development tools at their hands, that we have the right structure on our hands, that we organise ourselves, that we continue to do work to break down our silos because every time we do a staff survey, that word does come up quite a bit although I think rather slightly – it's declining but it's not declined far enough. And we can't wait for the future regulation, we can't wait for the dust to settle on all of the Brexit world for that work to be done.

So that’s why we’ve given particular prominence, and I think it’s a big priority for the year ahead to the work on transformation. ExCo is fully signed up to it, as is the Board, we want to press ahead with it and we know that we had to give it that priority because we’ve got so many other challenges on our hands that in ordinary times, you know, you would say that’s enough, thank you very much, I don’t need to do more things. But the danger, I think, for us is that if we get constantly driven by the external pressures and external events, we neglect the development of the FCA and its staff and its systems and all that we need to do to do our job. So that’s why transformation is so important in the year ahead.

OI So, do you have any parting words for former colleagues at the organisation?

AB Well, I think the parting words for friends and colleagues at the organisation are the FCA, as we all know, I know more than anybody, can be a noisy environment in the outside world, not noisy inside the building, noisy outside – I think the main thing is to remember that we’re doing a very important job, we’re doing a hard job, nobody ever said it was easy, we didn’t come here to do an easy thing. I think that’s part of the great challenge and part of the great fascination of the FCA but there will be times when it’s noisy, it’s rare to think that everybody will agree with this. I think it’s all important to know, to be confident in what we’re doing and to know that it is directed at some of the most important questions in society and that the FCA is an institution that helps people in society. I really believe it does, I think we’ve done a lot of very good things, I know you’ll all go on doing a lot of very good things but it is noisy sometimes, I think it’s always important to remain grounded and realise we’ve got a very important and difficult job and I think the FCA does it well.

OI Thank you, Andrew.

AB Thank you.

OI And good luck in your new role.

AB Thank you.

OI That’s all we have time for today. Join us again soon for the next Inside FCA Podcast.

ENDS