

Annual Public Meeting 2025

Ashley Alder

Well, good morning, and thank you for joining today. My name is Ashley Alder. I chair the Board of the FCA and I'd like to start today by introducing colleagues, who sit on the FCA's Executive Committee and also on our Board. So right next to me here, probably needs no introduction, Nikhil Rathi, our Chief Executive. Next to Nikhil, Therese Chambers, and Steve Smart next to Therese, who are Joint Executive Directors of Enforcement and Market Oversight. And then next to Steve we have Sheree Howard, Executive Director of Authorisations, and then next to Sheree, Siobhán Sheridan, our Chief People Officer. And right at the end, Stephen Braviner Roman, our General Counsel and Chief Risk Officer.

And to my left we have Sarah Pritchard, who's Deputy Chief Executive and Executive Director of Consumers Competition and International. Then we have Emily Sheppard, our just about to be outgoing, Chief Operating Officer. Simon Walls next to Emily, who is our Interim Executive director of Markets. Jessica Rusu next to Simon, who is our Chief Data Information and Intelligence Officer. And right at the end there David Geale, who is our Executive Director of Payments and Digital Finance. And I'm also delighted to be joined by members of our Board, who are in the front row.

To my right, we have Richard Lloyd who Chairs our Policy and Rules Committee. Alice Maynard, who's the chair of our People Committee. Bernadette Conroy who Chairs our Risk Committee. Liam Coleman, who until very recently was Chair of our Audit Committee. And we also have John Ball, who's about to take up the position in a few weeks time of Chair of People Committee when Alice steps down after serving six years with us.

So that's the team, as it were, here. So before taking your questions, I just wanted to reflect very, very briefly - very briefly - on the past year. I'll then hand over to Nikhil. Now, the FCA is obviously working in a fast-changing world, with huge opportunities through new technologies like AI, but also with heightened economic and global uncertainty and new risks to contend with, such as increasingly sophisticated scams. Now, while change is nothing new, the speed and complexity is unparalleled in our lifetimes. And amid all that change, our role actually is unique.

We have a really broad policy remit, and a policy agenda that is more ambitious than ever before. And all that means that we're not just subject to change, but we are a powerful platform to drive it. So that's not just the financial services sector itself, but crucially for the people it serves. Earlier this year, we concluded our previous three-year strategy raising standards and improving how we work. That

laid the foundation for our next five-year strategy through to 2030, which we published back in March. And through that, we want to deepen trust in financial firms and in us as the regulator and rebalance risk to support growth and improve lives.

Our aim is to enable a fair and thriving market for the good of consumers and the economy. And so through our new strategy, we're focusing our resources on four top priorities: helping consumers navigate their financial lives, fighting financial crime, supporting sustained economic growth, and being a smarter regulator. As we set out to the Chancellor last December, we will never operate in a zero failure regulatory regime. That would stifle innovation and investment at a cost, not just to businesses, but also to consumers. And we will always have to make judgments about how best to deploy our resources.

It's simply not feasible to pursue every piece of intelligence or concern raised about the 42,000 firms we regulate, nor all the complaints we receive on unregulated activity, lying beyond our legal reach. But we will continue to set high standards and hold firms to account, and we will root out those who try to use FCA authorisation as a cover for crime.

Now when financial services are strong - innovating, serving, untapped domestic demand and exporting - our whole country shares in that success directly through jobs, through tax to improve public services, driving the investment that businesses need to scale up and manage their risks, and securing better outcomes for people across the country.

I'm proud of all our colleagues at the FCA do to ensure that consumers are well-served and firms can operate with certainty and clarity, and I've seen the hard work that they've put into that objective over the last two and a half years I've been in this role. So with that, I'm going to hand over to Nikhil.

Nikhil Rathi

Thank you very much, Ashley, and welcome to everybody here in the theatre and everybody online. This Annual Public Meeting is a very important day for us at the FCA. It's a key part of the accountability of the FCA and a chance for us to hear from consumers and firms right across the UK. It gives us time to reflect on the year that's gone by, and look ahead to the future as well.

Ashley talked about our strategy and the four themes that we have in mind as we look to support a fair and thriving financial services market for the good of consumers in the economy, and also support growth in the UK. So I was going to say just a few words about each of those four themes. Firstly, on helping consumers navigate their financial lives. Two years ago, we put in place the

Consumer Duty, which for us is the bedrock of our approach now to consumer protection.

And two years on, we are encouraged by progress we are seeing coming through in some of the survey evidence in our Financial Lives Survey, and also independent survey evidence about trust in some financial services firms. So we know there's quite a lot more to do, but the consumer duty has given us the ability to act in a number of markets, whether that's a savings market or insurance market, and to tackle some practices, for example, firms that make it difficult for people to switch product.

Secondly, fighting financial crime. This is a scourge on the market. We have a market integrity objective, and that's why under Stephen and Therese's leadership, we have moved to taking record numbers of criminal prosecutions, and we'll talk more about that during the course of this morning. But we've also invested in technology, we scan a hundred thousand websites every day, and seeking to ensure that problematic financial promotions are amended or withdrawn. We are issuing thousands of alerts every year as well, and are seeking to go faster in our enforcement.

One key issue for us is making sure we prevent problematic firms getting into the perimeter. And last year we have implemented a robust authorisations gateway, but we've also cancelled authorisations of 1500 firms as well. As Ashley touched on, we have to prioritise our resources. And we've been clear in the strategy this year that one of the areas where we're emphasising our work is making sure that firms that are in the perimeter that may get involved in financial crime, get our full attention, and we are focusing particularly on that work.

Thirdly, supporting growth and competitiveness. In the UK economy, we have an important role to play. The financial services industry is a major contributor to jobs and tax revenues, and we often are the first board of call for international investors looking to invest in the United Kingdom. We've put through a range of reforms to support the unlocking of capital and investment, to support the investment in infrastructure and startups. We're supporting innovation through our sandboxes. We have put people on the ground, for example, in the Asia Pacific to make sure Asian and other investors can navigate the UK regulatory landscape. And we're becoming a smarter regulator, looking at the proportionality of how we operate whilst maintaining high standards.

And on that theme, one of the issues we've heard most from small and large firms is the issue of data collections. Now we need data to do our job. It's fundamental. At the same time, we need to make sure that we are using the data we get and we're proportionate. And we've been looking at that really closely, removing

redundant data returns or reducing the frequency of them where we don't need them in the same way that we did before.

So that's a quick summary of where we're going on the strategy. We have many challenges ahead. We see that around the world in terms of the geopolitical challenges, the pace with which technology is moving, demographic changes. We have the Budget coming up in the UK as well, but we think the strategy gives us a good platform to respond to those. And we have the operational foundations to move in an agile way. And like Ashley, I'd like to thank the 5,000 or so colleagues of the FCA across London, Leeds in Edinburgh, who are dedicated to delivering some really good work. Thank you.

Ashley Alder

Thanks very much. Okay. Right. I want to get to questions as quickly as possible, because the whole purpose of today. So what we'll be doing is we'll be answering some pre-submitted questions. Those online can submit questions live, as it were. And obviously, people in the theatre today are able to ask questions. What I plan to do to try and get through as many questions as possible is take three questions at a time, which will be a mix of online questions and questions in the room.

If you're here in the room, if you want to ask a question, please put your hand up and then we'll take three questions altogether online and those with hands up in the room in each batch, as it were, in each round of questions. What will happen is that when you put your hand up, someone in the room will have a paddle. Maybe someone can show what that one those looks like. That's one. So someone with a paddle will get close to you, so I'm able to identify who you are. Then I'll call on you to ask your questions. So if you just wait until the paddle gets to you, that'll be great.

I've no doubt that there will be more online questions and live questions in the room than time allows. So I'd ask out of consideration for others, please, please, please try to keep your questions short and concise, so we can get to as many people as possible. And the Executive team has already been prepped to try and keep their answers short and concise as well, so we get through as much as we can.

If necessary, I may have to gently step in from time to time to keep things moving to ensure that as many people as possible can ask questions. And just a final note, all questions, including those we don't have time to answer today will be responded to and published, and the responses will be published in due course. So I hope that was clear. The paddles are integral to all of this. We'll see how it goes.

So without any further ado, I'm going to start with an online question that's been submitted, and then I'm going to go to the room. So if you get ready to put your hands up and then the paddles will come to you. Okay. So I'm going to start with a question from Mark Bishop for Sarah Pritchard on balancing growth in consumer protection.

And the question is this. "Do you believe the FCA can hope to achieve its growth and competitiveness objective without materially reducing the huge trust deficit suffered by both the industry and its regulator? According to your own Financial Lives survey of 2024, only 36% of adults believe the financial services firms they use treat them honestly and transparently, and only 27% of those who have heard of the FCA had a high level of trust in it. Given these statistics and the natural human disinclination to purchase from those we distrust, is more assertive and effective regulation, the better route to industry growth rather than the ever more collusive variety that seems to be the direction of travel?" So that's the first question.

Can I ask your hands up for anyone who wants to ask the question, and then the paddle will come to you. The paddle bearers will have to shuffle along through the rows. Okay, so fine. Yes, please ask your question number one. Thank you.

Michael Toppin

Good morning. Thank you very much for your presentation, and I'd just like to ask you a question, please, about consumer protection and financial fraud. My name is Michael Toppin, I'm from Transparency Task Force, and I was formerly an ITV factual producer. My particular concern is not only the protection against fraud, which exists, but what happens with redress for victims of fraud, specifically bank fraud. Who regulates the Financial Ombudsman service where, by their own statistics, only 34% of fraud claims are upheld.

When it goes possibly to Ombudsman appeal, only 8% are upheld. So there's a vast amount of claims which are just chucked out. And my personal experience is that the investigators are very poorly qualified, are not aware of the relevant banking codes even when they're appraised of them, and they do not listen. And I would ask you, I know you don't get involved in individual cases, to look and scrutinise how the FOS is regulated by the FCA, please. Thank you, ladies and gentlemen.

Ashley Alder

Thank you for your question. We can take one more in this round. So that's number three. Okay, thank you.

Unidentified

In the mortgage and secured lending sector authorised firms, especially major banks, routinely make and rely on entries in HM Land Registry's charges register. Evidence from case law and consumer complaints shows that some of these entries are false, disputed, or defective, yet the FCA has never taken enforcement action against an authorised firm for submitting or maintaining an invalid or misleading charge. Given that filing a false or defective charge can directly harm consumers, enable repossession under an invalid title, and facilitate money laundering by converting unlawful proceeds into clean assets - will the FCA explain what supervisory steps it has taken to ensure that authorised firms correctly and lawfully register and discharge charges at HM Land Registry? Why it has failed to act on systemic malpractice and how it now intends to protect consumers and the public? Will the FCA also commit to working with HM Land Registry and HM Treasury to close this serious regulatory gap where conclusivity of registration has been exploited by authorised firms to the detriment of consumers?

Ashley Alder

Thanks very much. Okay, so we have one question, the first question, on growth and that question of trust in the financial services sector - I think that's for Sarah. The second was on consumer protection and fraud, and in particular around redress - so potentially, Stephen, do you want to pick up that up initially? And then the final one on mortgages and the land register? Maybe David. Okay. Sarah, the first question, please.

Sarah Pritchard

Thank you, Ashley. So as Ashley and Nikhil have said, our new strategy, which sets our clear priorities for the next five years deliberately starts with deepening trust, rebalancing risk, supporting growth, and improving lives. We have four main areas of focus. So firstly, we want to take steps to help consumers navigate their financial lives. We want to do that in a way that supports growth and innovation. We want to make sure that we're fighting financial crime, and critically we want to make sure that we're working smartly to help drive those priorities.

Now, some will say that growth and consumer protection pull in different directions, but we really believe that our four strategic priorities should be mutually reinforcing. Growth that delivers well for consumers should improve choice for consumers, it should help improve consumer resilience, and ultimately leads to better trust in financial services. The Consumer Duty is still relatively early days, we've hit the two-year anniversary, but it's important to say that Consumer Duty is not once and done and it is here to stay.

It has been really good to see some of the YouGov data survey showing an 11% increase in the first two years of the Duty in terms of trust and confidence in financial services. And that is an area that we'll be monitoring closely through the duration of our strategy as we work with firms to look at how they're embedding Consumer Duty. Client standards are important for UK competitiveness, they're important for growth, and ultimately they're important in terms of helping consumers navigate their financial lives.

Ashley Alder

Thanks, Sarah. Can I go to Stephen on the redress point?

Stephen Braviner Roman

Thank you. Yes. As you pointed out, Mr. Toppin, the Financial Ombudsman Service is independent in relation to its individual decisions. Consumers have the right obviously to go there free of charge. The FCA has an oversight regulatory function in relation to the Financial Ombudsman Service, which we discharged through a Committee, chaired by the Chair Ashley Alder here today.

So we do take that responsibility incredibly seriously. As you say, a third of complaints to the Ombudsman Service are upheld, and I think that is evidence of them taking seriously that responsibility. The Government and ourselves and the FOS have announced a series of reforms, which are intended to both ensure a greater degree of consistency and clarity in how that service operates, how consumers can get the clarity and redress they're entitled to, and how firms can understand how the FOS is going to approach decisions in the future.

Ashley Alder

Thanks, Stephen. And David, do you want to pick up on mortgages point?

David Geale

Yes, thank you. So I think firstly, I would agree with you that erroneous entries can be a problem and that can be distressing, and it should be something that it should be corrected. We do expect firms to have strong governance and controls. We expect them to follow the rules under the Consumer Duty, to consider customer outcomes and to treat their customers appropriately. This is not, to be frank, an issue that has crossed my desk as something that's being widespread. Having said that, I agree with you in terms of the basic issue and therefore, I would be happy to take that away, look at it, and if appropriate, we'll pick up with HMRC and the Land Registry.

Ashley Alder

Thanks very much. Okay, I now want to go to the next round of questions. So I think what I'll do is just start off with any hands up in the room. I'll take two from the room, then I'll go online. Okay. Number two. Oh, you can see the paddles. Good.

Paul Carlier

Okay. My name's Paul Carlier. Before I ask my question, I've got a very brief piece of audio I'd like to play for you and the room.

Audio recording (Paul Carlier)

"This is the most important thing. The higher interest rate the dealer applies for, the more commission the dealer gains. Now that is outrageous, that is profiteering, unlawful, and absolutely showing no regard for status.... We have to, because this is made in the public interest. So, there will be no withholding of facts here because millions have been subject to this scam, millions. So, if the FCA doesn't act and doesn't disclose it, you are going to allow a) more millions to be conned in the same way in the future, and b) prevent proper redress of the people that have been conned in the past. The FCA has to do something, the FCA has to make the public aware of what's been going on."

Paul Carlier

And that's a brief extract, as you know, from a call I had with the FCA in February, 2016, specific to the unlawful Incentivised Commission arrangements that Black Horse were using across the UK with all of their dealers. Now in 2016, I alleged that you heard me say it was unlawful. It was widespread. And the reason I did that was because I was a highly experienced financial markets professional, as you know, and I knew it was a breach of the Consumer Credit Act regulatory codes, all of which was corroborated by the FSA in 2009, and subsequently by the Supreme Court in Paragon versus Plevin in November 2014 in respect to PPI. Particularly, that it was unlawful to price a product on the basis of what the parties believed the customer was prepared to pay, or as I referred to it, to you and the Ombudsman at the time, on a whatever-they-could-get-away-with basis.

And as you know, I also presented a substantial amount of the smoking gun evidence, including undercover calls I made to Black Horse posing as a car dealer, and in which they spilled all of the sordid beans. I argued that victims were entitled to redress equal to the difference between the amount of interest they paid on the APR as a result of the APR they received, and the lowest APR that

Black Horse afforded the dealer to set in their wide generic APR bands and would have received, but for the unlawful incentivised arrangements.

I've got several questions on this, but I'll limit it to one at the moment and I'll come back to more later if that's what you prefer. My first question, therefore, is why therefore did it take the FCA until August 2024 when you produced your detailed grounds document for the High Court in support of the Ombudsman decisions against Black Horse and Barclays to confirm exactly that which I had reported and alleged, and exactly the redress that I had said was appropriate back in 2016?

Ashley Alder

Okay, can we take that question? That would be number one.

Vishal Patil

Thank you. My name is Vishal Patil. I work for Calyx Solutions and we do white label solutions for remittance companies. So my question is related to money remittances. So as you know, many migrant communities in the UK rely on remittances to support their families abroad, often in high risk or fragile states such as Afghanistan. Current regulatory restrictions mean that in some cases the only way for them to send money is in cash through limited physical agents. If a customer lives at the countryside or outside of a major UK city, they may have no access to digital remittance apps or, where such apps exist, reduced competition often leads to higher fees and poor exchange rates. Is regulation unintentionally making these communities more vulnerable by restricting access to affordable digital money transfer services? And what steps will the FCA take to ensure fair access, innovation, and equal opportunity for customers who simply want to support their families back home? Thank you.

Ashley Alder

Thank you very much. Before we go back to the panel, I'm just going to add one more question to this round, and it's from Anil Vasishta and it's for Therese on Lendy. And the question is this, the Lendi Holdings debacle and why the FCA appears to be not interested in helping impacted individuals. So can we go back firstly to Paul's question on motor finance? Should I go to Steve and Sheree initially?

Sheree Howard

So thank you very much for your question. I'd like to start off by saying we do review all information we receive and pass it to relevant teams for them to

examine, but obviously it's vital from our perspective that any action we take in a market that is relied on by so many people is backed up by robust evidence and analysis. The issue was already on our radar in 2016, and as a result, we prioritised significant resource in the 2017/18 business plan year to look at the motor finance market, and undertook a market study in that area.

I think it's probably worthwhile just taking a bit of a step back and saying obviously consumer credit only transferred to us in the 2014 financial year from the 1st of April, and we undertook a significant series of intervention in the consumer credit market as a result of that transfer, starting with high cost, short-term credit, undertaking reviews of home collected credit, rent to own, high cross loans, overdrafts credit cards.

So that was a series of ongoing work that went right the way through to 2019. But we also prioritised resource to look at motor finance in 2017. Our report was finalised in 2019, and led to the ban of discretionary commission arrangements from 2021 following consultation. We found evidence of potential unfair relationships from there and as a result, we banned it from 2021. Obviously, that was in the middle of the pandemic where significant amount of work was underway to support consumers in financial difficulty, as a result of the cost of living crisis. And we implemented several changes and temporary changes to our rules to support those consumers.

We always said we'd come back to look at it in 2023 and '24, and that is what happened. We then restarted looking at it in the beginning of 2024. That has been a significant investigation and as a result led to the consultation paper that we issued two days ago about a consumer redress scheme.

Ashley Alder

Thanks, Sheree. Nikhil, do you want to add to that?

Nikhil Rathi

Yeah, I think if you go back to the work, and obviously 2019 was before a number of us were here, but at that time when the study was concluded, firms were asked to look at the significant non-compliance and disclosures that had been established and remedy them. And then what happened, I think, is there was a pandemic, there were lots of complaints coming through and firms were rejecting 99% of those complaints. And there were thousands of cases going through the courts. Courts were coming up with different views - the county courts were coming up with different views. That took its time to work its way through the court system. The High Court looked at it, the Court of Appeal looked at it as we know last year, and then eventually the Supreme Court came up with their judgments in August

this year, which has given us the legal clarity. The High Court from October last year, the Supreme Court from August, this year has given us the legal clarity to put forward the proposals for scheme that we did a couple of days ago. And we have published with that a very detailed diagnostic analysis of the issues we have seen in the market, which follows a review of data covering 32 million agreements between 2007 and 2024. And the priority now for us is to get this issue sorted quickly in the interest of everybody - consumers, firms, and investors - which is why we're keen to get moving with the consultation and the scheme that follows. Thank you.

Ashley Alder

I'll allow one more question. I do need to get as many as possible, but-

Paul Carlier

I've got other questions to ask on this, but I want to challenge the response. I've got internal emails from the FCA dated 2016 that show in August 2016, the FCA was trying to shut me down on the issue of incentivised commission arrangements, falsely claiming that I hadn't given any evidence, so there was nothing for the FCA to go on, so I'm unsure what Sheree is referring to in terms of it being on the radar because the FCA was trying to turn the radar off it seems in August 2016. There's another email in September 2016, internal email, after I send in the undercover recordings I made, of course the Black Horse, where I posed as a car dealer currently using a competitor of Black Horse in the hope that they would spill all the beans and they did on two separate calls.

I sent that into the FCA and in September there's an email between two FCA employees that say, "I know we've shut Carlier down on the issue of incentivised commission arrangements. However, as discussed, please see the email below with the attached audio. You might want to take action now." Then they caveat that with, "However, he didn't specifically ask us to take any action." So in other words, if you want to bury it, please do. That rather contradicts your answer, Sheree, I'm afraid.

Nikhil Rathi

If I just can come in on that, we'll have to look at those emails, I'm not familiar with every element there. But at the end of the day, following the market studies in 2017-18, which were published in 2019, we banned discretionary commission arrangements. They were banned from 2021. Now we would've moved earlier, but obviously during 2020 the priority was the pandemic and we consciously didn't take policy work forward other than supporting consumers in financial difficulty during that period, but also firms were needing our support during that period as

well. So discretionary commissions have been banned, and the issue we're dealing with now is obviously this is going back in our view to 2007 where there was inadequate disclosure and that has been, in our view, a breach of the Consumer Credit Act and we need to deal with it now. We are going to deal with it quite robustly, and we would like lenders to work with us on the scheme we've proposed to get this sorted out, because we know there are several million people waiting for the answers here and for fair compensation.

We couldn't move forward with that until the Supreme Court had ruled. But within 48 hours the Supreme Court ruling and giving us that legal clarity, we set out the next steps and we're getting on with it.

Paul Carlier

Sorry, again, your detailed grounds document you submitted to the High Court in August '24, which hasn't been published by the way, says that in rebuttal of Barclays allegations that these were new rules and new laws brought in 2021 when DCAs were banned. The FCA rebuts that by saying no, this was further clarification – and I'm going to summarise here and paraphrase - the FCA says, no, this was not new rules or laws. This was further clarification and guidance required because all of you were essentially ritually breaching long-standing law and code dating back to 2007, all of which was corroborated by Plevin in 2014. You said that in 2024. You said that this practice was unlawful and a breach of the Consumer Credit Act and regulating codes dating back to 2007. Why didn't you say that in 2019?

Nikhil Rathi

I think in 2019, and we can give you the references, I think we did say we saw-

Paul Carlier

No, you didn't.

Nikhil Rathi

... significant non-disclosure.

Paul Carlier

Yeah, you did.

Nikhil Rathi

Significant lack of compliance with disclosure rules.

Paul Carlier

But why was there no redress? Why did the FCA-

Nikhil Rathi

So at that point then we banned discretionary commissions. There were then I think, as you'll have seen, we asked firms to remedy. Complaints were being made to them, 99% were being rejected and courts were looking at these issues. And as you'll have seen through the different court cases, some courts were ruling in favour of the lenders and some courts were ruling in favour of consumers and there was a lot of dispute within the court system as to what the law was. That's required the Court of Appeal, and then subsequently the Supreme Court, to give us clarity around unfair relationships. The Plevin angle is one dimension to this, but as you look at the Supreme Court judgments, as I understand it, they've also been quite careful to say you can't read across directly. While it has some relevance, you can't read across directly. And we've been quite careful in our consultation two days ago to draw on that judgment as precisely as we can and we've set out, and I can point to chapter eight of the consultation and an annex, a legal annex, which sets out our legal opinion.

But look, there's a consultation now. It closes in six weeks, so please do feedback. We want to hear from everybody, to make sure this market works better in the future and we are encouraged that now the disclosure practices are better.

Paul Carlier

Okay, I have been trying to participate in the consultation process, but the FCA keeps saying by email that I'm not entitled to, so thanks for confirming that.

Ashley Alder

I do want to move on to people-

Paul Carlier

I appreciate that. [inaudible].

Ashley Alder

I do want to move on now - we can come back to this. I want to move on to the question... Everybody usually has fairly strong feelings about the question they're

answering, so I want to go to the remittance question that was asked and David, is that something you can-

David Geale

Yes, absolutely. So thank you for the question. The payment sector is of course diverse. We regulate about 1,250 firms in that sector across a wide range of services and we see the full remit of firms, in terms of firms who are doing things very well, and we see firms doing things badly. We expect all firms to comply with both UK and international law and with our requirements. Wherever we put restrictions in place, it will be because we have concerns about the delivery of good outcomes.

So as I say, that is the general focus of our work. We have carried out specific work on international payments. We've published that looking at good and poor practice, and we're continuing to monitor it, and we will of course be looking at payments legislation in the round as part of the long-term regulatory framework. So we keep the area under review, but we expect all firms to deliver fair outcomes, we expect firms to have good controls in place, and any restrictions that are put in place by us will be based around any specific concerns that we have. So it is something we'll keep under review both individually with firms and as the wider review of the broader regulatory framework.

Ashley Alder

Thanks, David. Can I then go to Therese? The last question this round was around was about Lendy Holdings.

Therese Chambers

Yes. In relation to Lendy. So I'd like to start actually by just expressing my sympathy for all the investors that have been caught up in the collapse of Lendy some years ago. As you'll all know, a special administrator is in place and is working really hard to recover whatever assets can be recovered for the benefits of investors and creditors. And the special administrator has commented on multiple occasions on the challenges that he's encountering due to, what he describes as, many years of significant mismanagement. This situation is of course exacerbated for investors by the fact that there is no FSCS coverage for peer-to-peer lending, and that all adds to the stress and the difficulty and the frustration that the questioner and many other individuals are facing.

We have confirmed that we are investigating the circumstances of the collapse of Lendy. Our investigation is well advanced. We are not at the end yet, but we can start to see that the end is in sight. I'm sorry I'm not able to give more details

about any conclusions that we may be reaching, but I can say that we are now in the final stages of our investigation.

Ashley Alder

Thanks, Therese. Right. I now want to go to the next round of questions. I think I'll start with two in the room and then I'll go online. So can I have paddle number one?

Wayne Johncock

Yes. Good morning. Thank you for this opportunity. My name's Wayne Johncock. I wasn't going to ask question today, but following on from what Michael said, I'm also from the transformation task force led by Andy over here. I was a victim of fraud, insider fraud, by an employee the Bank of America. It went on for two and a half years. I was the one who exposed the crime, the fraudster, because I stood up, is in jail for seven years. We're on the verge of having our house repossessed, being made bankrupt. I've planned suicide twice. I'm currently under watch by the Runnymede and Spelthorne Mental Health Centre. I can't understand how a bank can invest 35 billion dollars over 12 years in their security technology systems. They have a team of 3,000 people. They couldn't catch this person. I was CIO at Centric at British Gas for several years.

I had information security and cyber security in my remit. I know this stuff. I deliberately put words like bullet, bomb, fraud in the emails. It wasn't picked up. Tools on the market pick this up. So something was covered up. Who knows? This guy, the bomb word should have raised a trigger straight away. He could have been planning a bomb to go off in there. They would not have known. I've raised this with the FCA, with the FOS, with the ICR. I was actually in court with the ICO last week. Andy was with me. They admitted to misinterpreting the fundamentals of the Data Protection Act. You talked about data, Nikhil. This is all data driven. This is the time for... the UK needs good news. I've had two documentaries done. There's another one being planned. They've been codenamed, Mr. Johncock versus the Bank of America. There's a book being planned.

It will come out. This is the opportunity to catapult the United Kingdom into tackling corporate crime. The guy has gone to jail because I spoke up. I've made you aware of it. I've got no help from you. I feel like you are not tackling it. You're covering it up and you're not prepared to take the Bank of America on. Nikhil, Mr. Johncock versus the Bank of America. It's on your records. Help victims who speak up. When my documentaries went out, I had 12 people contact me. They'd been done over by this man over the past eight years. He'd been taken in by the police three times. He talked his way out of it. The week he was employed by the Bank of America, he was being interviewed by the police. You cannot brush this one

under the carpet. But again, thank you for listening. Take note of that I'm here for you, but it is going to be on the TV again, another documentary. Thank you.

Ashley Alder

Look, I'm sorry to hear that about your experience. We'll pick up two more questions, but I think in relation to that, I didn't actually hear an actual question, but obviously we heard what you said. I'm going to go to Steve I think to talk about in our strategy we've emphasised financial crime. I think it might be useful to hear from Steve on that point. Can I take one more from the room, number three?

Barrie Smith

Hello. Thanks for the opportunity of asking the question. My name's Barrie Smith. I am a victim of investment fraud. I ask my question... I ask you to be mindful of the tens of thousands of people whose lives have been destroyed by investment fraud because of the inadequacy of the FCA. And that's for the people that are still alive, because of course many have taken their lives. There's significant harm to the unsophisticated investor. My question is concise, you'll be pleased to hear, but how does the FCA intend to better protect the unsophisticated investor in unregulated activities, for example, Blackmore Bonds?

Ashley Alder

Thanks very much for that question. I'm going to go online now or take an online question and it's on a company called Safe Hands, which is a funeral provider and the question is this: Why will the FCA not comply with the independent complaints commissioner in relation to the findings and failures of the FCA when it comes to compensating those affected by the collapse of Safe Hands Funeral plans provider. All along the FCA and HMT were told of the ongoing problems prior to administration of the company, and yet did nothing to prevent it until the horse had already bolted and by that time it was too late to prevent the collapse affecting potentially 46,000 people or victims. So those are the three questions for this round. I think firstly, just back to the first question and I think the second question is linked, though it's specifically around Blackmore, but I go to Steve on our approach to financial crime in the round.

Steve Smart

Yes, thank you. Thank you, Wayne for the question. I don't have the detail on your particular case and we can pick that up outside. In terms of the FCA's position on financial crime in general, you'll see it's a key part of our strategy -fighting financial crime. It's a priority across the organisation. On fraud, absolutely it's something that we along with the rest of society are very concerned about. The

trajectory of the threat is going in the wrong direction. If you look at the latest crime stats from the crime survey of England and Wales, they've got fraud incidents going up by 31% last year. It's 44% of reported crime. It's the crime that you're most likely to suffer if you are a citizen of the UK. So absolutely, we prioritise it. We work very closely with law enforcement and regulatory partners. We work very closely with industry on this and I think it is that work with industry that will help us identify and spot this quicker.

And that's a key part of our drive is to be able to identify the harm early and disrupt it early. It doesn't help you in your current situation, I absolutely understand, but there is a lot of work going on in that space. From an FCA enforcement perspective, fraud is one of the areas that we focus on. We've had, in the last six months, we've had two significant fraud cases that go through the court. I hope people have seen on Monday the sentencing of Mr. Daniel Pugh who got seven and a half years for an unauthorised investment fraud. We had a Mr. Burford sentenced back in the summer on two years for a similar sort of investment fraud. It's clearly something that we focus on and we know we need to do more on. It's an area where you talked about data, and I know Nikhil talked about data - we are looking to see if we can get ahead in terms of technology and data. People talk about the things that are coming over the hill and the criminal's ability to be able to... how agile they are and to be able to use that technology. We need to put ourselves in the same position and do it. So as I say, I will take a look at the particular case you refer to. I don't have the detail on that and we can come back separately. But it is a priority for us. We are investing more and more resource in it. Again, from an enforcement perspective, 50% of our portfolio is focused on criminal investigations. Probably about 70/ 75% of the portfolio is focused on fighting financial crime. The additional percentage is working with industry to strengthen systems and controls, and it's by pushing down that route, I think, that hopefully we'll be able to stop more of this.

Ashley Alder

Stephen, did you want to come in here?

Stephen Braviner Roman

Just quickly thank you, on mini bonds and that angle just specifically. It's worth just reminding people. We made permanent the ban on the mass marketing of mini bonds in 2021, 2023. We brought in new rules requiring a high level of requirements on firms in terms of disclosures for higher risk investments such as mini bonds. 2024, firms who approve the financial promotions of that sort of entity, they have to be an approver before you can approve those permissions. You need to be specially authorised by us before you can approve those promotions. And we set up an internal unit in the early 2020s/21, to focus

particularly on this area. So we do take the point that there are activities of that nature outside our perimeter, but where the rules needed to be tightened to protect, as you say, more unsophisticated consumers. So we've taken steps in that area.

Nikhil Rathi

I just want to add, because we do really take to heart some of these cases. It's heartbreaking to hear about the scale of loss and the impact on financial and emotional well-being of so many thousands of people, particularly from unauthorised investments and fraud that might be associated with it. There is a challenge here because of the way in which technology has advanced. When I became CEO of the FCA five years ago, the company I met most in my first year was Google to try to stop some of the promotion of some of these schemes which were prevalent on their platform. And that engagement with big tech and the social media companies is pretty fundamental to getting behind this because actually a large part of this comes from outside the United Kingdom, so our actual reach is constrained and we work with Ofcom on the Online Safety Act and that's why I referred earlier to the number of websites.

We've gone up 20 to 30 times the number of websites we seek to amend or withdraw, but we still always got more to do. The other point we've underlined in a warning recently on this unauthorised question is: please be really careful before you invest in something that is not from an FCA authorised entity. That is because we can look at things that are authorised, there may be on the margins, warnings we can issue, but things that are totally outside our remit are not things that we can normally reach into and that is a challenge and I accept that that is very, very distressing in situations like yours, Barrie.

Barrie Smith

The problem is people don't know who the FCA is. That's an unsophisticated investor. They don't know who you are.

Nikhil Rathi

Thank you. Now that's important feedback and there's clear feedback there that we make sure our register is understood more clearly outside, but I hear your point. It's complicated, yes.

Ashley Alder

And we have been working on the register. To your point, the visibility of the FCA for those who are unsophisticated people who may be investing unregulated to get

the message out there is really, really important. We did something, I think it was last week on that, but to your point, the reach of those messages is limited, so we have to think a lot harder about how to get the message out a lot more firmly. Can I go to the... Simon, did you want to come in?

Simon Walls

Yeah, I did. Barrie, thank you for sharing your story. There are so many other stories like that and it's a real motivator for the work that we do. I know you're sitting there having lost money and we're giving answers for the future, but just want to recognise it. We work extremely hard on this. In the unregulated space, we've said we monitor 100,000 websites a year proactively. We also receive 25,000 alerts from members of the public warning us to look at things. We're on 550 a week at the moment and we are looking into each of those. We're looking at whether it's a breach of FSMA, we're looking to make sure it's evidenced and we'll warn where we can. We put out 2,200 warnings each year and that number is going up in the first six months.

To answer your question around the register, that is a major problem and I think it comes to financial advice in the UK. We currently have 9% of people receiving financial advice and we're working extremely hard to broaden that and that's the topic of advice guidance boundary review. We have to help people to understand what to do with their money. I understand you're looking somewhere safe and for returns. We're looking through targeted support and other ways of simplified advice to make that easier for people, to bridge that gap because I've totally understand that many people haven't heard of the FCA or the register. We are desperate to tell people to use FirmChecker. I really hope that more people can do that. That is the safest way to make sure that you get FSCS coverage and Financial Ombudsman scheme. But it's something we really have our shoulder to because it's so important.

Ashley Alder

Thanks, Simon. There was a question, the final question was Safe Hands. Sheree?

Sheree Howard

Thank you, Mr. Hammond, for your question. I wanted to start off by saying how sorry we all are and continue to have sympathy for all of those people who put their money for a pre-paid funeral with Safe Hands only to find when it collapsed that there was no money there to pay for their funerals. You are right. There was a complaints commissioner report that was published earlier this year that upheld the fact or stated that they thought that we had not acted on one piece of intelligence in a timely way from 2021. What I would say is that a piece of

intelligence arrived as we were prepping and preparing to bring funeral plans into regulation, following HMT consulting to bring it into our remit. And we were a few months away from people at those firms applying to enter the gateway. So we took a risk-based decision based on that piece of anonymous intelligence to look at that in more detail through the gateway when we received Safe Hands' application.

That piece of intelligence arrived right at the end of April. Safe Hands' application arrived in October and we diligently looked at that application. Being in the gateway enables us access to much greater information. We can access bank accounts and various items of other information. And as a result in February 2022, we did say that we were minded to refuse that firm due to what we had found. So this firm was never in our perimeter. We never authorised it. So we do not agree that we took a wrong decision to risk-based triage that piece of intelligence amongst the other 34,000 pieces of intelligence we received that year, and took a decision to look at it through the gateway. Unfortunately, and when we gave the decision on a minded to refuse, that firm withdrew from the gateway and collapsed a few weeks later resulting in the finding that there was no money there to pay consumers back.

I'm really sorry that that is the case, but as I say, we do not agree with the commissioner's finding that we did anything wrong in terms of agreeing to risk-based triage that piece of intelligence and look at it in more detail at the gateway.

Ashley Alder

Thanks, Sheree. Right. I'm going to move on to the next round of questions. I'm going to start with one online and it's from Gordon Crosthwaite and it's on Phillips Trust Corporation. The FCA has stated to the Phillips Trust Action Group that the financial advice given to consumers to encourage them to establish trusts to place properties and investments into trust is not a regulated activity. Does the FCA continue to believe that they have acted in accordance with the regulatory perimeter and their general financial conduct responsibility to consumers in their decision not to investigate regulated organisations that advised their clients to invest their savings into trust funds managed by unregulated organisations. And before going, I think it's one for David, but before going to David, can I take two from the room? So we have, I think right in the back, I can just about to see it. Paddle four. I think it's, yeah.

Stephen Braviner Roman

Sorry

Unidentified

Sir, could I request that the speakers try and speak up if you'd be so kind. And is it possible for FCA to release a verbatim transcript of the meeting in due course please? Thank you so much.

Nikhil Rathi

Thank you, sir. I believe the proceedings are online, but we will take that point absolutely sir.

Dan Feaheny

My name is Dan Feaheny and I live in this country eight years. I'm from America. What more can the FCA do to promote the benefits of digital identity? It went down like a lead balloon prior to the Labour Conference and it should reduce fraud, empower consumers and lead us to an open finance, smart data economy. Thank you.

Ashley Alder

Thanks very much. And one more. Number one.

Andy Agathangelou

Hello, my name is Andy Agathangelou, Transparency Task Force. I have three questions for Charles Randell as I understand he's responsible for the governance of the FCA ultimately. These questions relate to schedule 1ZA of the Financial Services and Markets Act. Question number one, under FSMA, the FCA must give notice of this Annual Public Meeting, and that notice must be published by the FCA to make the public aware of it. With that in mind, please provide details of what the FCA has done to meet its obligation to make the public aware of this meeting. And in particular, please advise whether the FCA did or didn't do the following. One, issue press statements through all your media channels including social media. Two, display a prominent notice about the meeting on your home page of the web page. Three, contact members of the public that had previously been in touch with the FCA for any reason where they indicated they would be happy to receive further marketing material as per the GDPR regs.

And if any of these haven't been done, please explain why. Question number two, earlier, Charles, you stated "I have no doubt there will be more questions than time allows". Is that an admission that this Annual Public Meeting is to enable the public to hold the FCA to account is simply not long enough? And if so, will you now commit to not making the same error next year? I.E. having too short a meeting. The very fact that you prohibited Mr. Carlier from asking the follow-up questions he wanted to ask is proof to my mind, sir, that the FCA is failing to

provide the opportunity for discussion. That word's key. Your requirement is to provide the opportunity for discussion, not just to have questions asked, is failing to provide the opportunity for discussion that the FCA is tasked by parliament through FSMA to provide.

My third and final question. Is there a risk that the remarkably low attendance in this auditorium, which I estimate is approximately two-thirds empty, makes it look as though the FCA doesn't really want to be held to account by the public as if perhaps it's doing the very bare minimum it needs to get a tick in the box that it's holding an Annual Public Meeting, but the very bare minimum? Of course you have many people online, but this auditorium could have had two-thirds more people in it. Please convince me, sir, that the FCA did all it could using its remarkable amount and quality of resources to make the public aware that they do have an opportunity to hold the regulator to account. Thank you very much, sir.

Unidentified

Hear, hear.

Ashley Alder

I think just to be clear, I think the question was to me, Ashley Alder, rather than Charles Randall. Yeah, I think, look, can I deal with that first? Then let me go back to other two questions. Firstly, in relation to the APM, we certainly will have a look back at the degree to which or how we publicise this. There is absolutely no intention whatsoever to organise the APM in any way that would discourage people from coming. In fact, just the opposite. So if there is any way in which next time round for example, we're able to ensure that there is maximum publicity and maximum attendance, that's what we would aim for without any doubt whatsoever.

The second point on the length of the meeting, we can take that back. Currently, it's two hours. I think no other regulator has a meeting which is similar to this in the UK, but we can certainly take that back and look at the length of time for the meeting when it's held and such, certainly. And I think your third point was about sort of low attendance in the room. That tracks back I think to your other points, but certainly. Look, our intention is to ensure that as many people who want to can attend both in the meeting and online. That's why this is the first hybrid meeting we've ever done. If we can improve the way in which we publicise the meeting, we will do so. And obviously no suggestions we can bring into that. That's fine.

Nikhil Rathi

Just on the specifics, Ashley, if I could add. So I do believe this was on our website. It was advertised next to our annual report publication. We put a notice out on our Twitter, sorry, X feed. So your question around social media, there's a press conference after this event. So we did let the press know that this was happening as well. And we have a mailing list for people who are interested in our events and everyone who signed up to that mailing list about our events received information about this Annual Public Meeting too. But we'll take the feedback and I recognise your point around the auditorium.

Obviously we are serving consumers right around the United Kingdom. We have offices in Leeds, in Edinburgh as well. A huge number of the firms who are supervised with us are outside London and the Southeast. We've made a huge amount of effort to go out and reach them. I've done the events in the Southwest in Scotland, in the north of England as well where we've invited all of our regulated firms to come and see us. And that's why we wanted to have the online dimension too. And I know we had several hundred people signed up online. I haven't seen the data yet as to how many are tuned in right now, but to make sure it's accessible online as well as to people who could travel to London this morning.

Andy Agathangelou

Thank you. Firstly, I would like to follow up by apologising for getting your name wrong, Chairman. And secondly, I really do have quite extensive interaction with the FCA on various fronts. And I'm pretty sure I did not receive any communication whatsoever from the FCA about this annual public meeting. And my concern generally is that if somebody like myself who has a lot of interaction with the organisation doesn't get told about it, then I wonder how many other people who would've wanted to be here or online simply aren't because they weren't aware. Thank you.

Ashley Alder

Well, I think, as I say, as I said earlier, I think we've made a, and Nikhil's explained some of the details, we've made a great effort to publicise the meeting. If we can do better, we will. There's no doubt about that. And I'd really like to get onto the substance of questions in the time we have available, which is around an hour. Can I go to, on Philips Trust, David?

David Geale

Yes. So thank you. So again, we've had quite extensive engagement around this. We have thoroughly considered the issues. I appreciate this is distressing for all of the victims involved. I appreciate that our decision not to investigate further is

disappointing for those people. But the short answer is yes, we do think we have taken the appropriate steps. Philips Trust is an unregulated company providing trust services. That is not a regulated activity. We looked very closely at the introductions from the building societies, which were to the estate planning group, which entities from there went into administration. Some customers transferred to Philips Trust. There was no direct link there. Therefore, we do not feel there is scope for us to act. In reaching that conclusion, we reviewed over 400 documents. We spoke directly to the building societies, we reviewed material from them. We reviewed the three-hour video from the Transparency Task Force meeting.

Some of my colleagues had a separate meeting with some of the victims. So I do feel we have investigated this thoroughly. We have found no evidence to suggest there was regulated activity on which we could act. And further, we found no evidence, that actually if it was regulated, that we found a direct link between the building societies and the problems caused by Philips Trust. So in summary, I feel that is the right position for us to take and unfortunately it is a case of unregulated activity. Our remit is set by Parliament in that sense, not by the FCA. I would flag, of course, as you know, that the building societies did themselves come up with a voluntary compensation package that was not something required by the regulator. It's something they chose to do. So I hope that has gone some way to helping the victims.

Ashley Alder

Thanks, David.

Andy Agathangelou

[inaudible]

Ashley Alder

Very, very quickly, please. Because I do want to get onto the next question, which is in this batch.

Andy Agathangelou

Of course. It's a small but important point. Mr. Geale, the video you watched was not a Transparency Task Force video. Transparency Task Force does act as the secretariat to the All-Party Parliamentary Group on Investment Fraud and Fair Financial Services. What you watched, sir, was an All-Party Parliamentary Group event video. I just wanted to correct the record. Thank you.

David Geale

I apologise.

Andy Agathangelou

Okay, thanks.

Ashley Alder

Right. We had an important question. I think an interesting question on digital ID. I'm not sure. David, should I go to you first because it's relevant to payments or to Jessica?

David Geale

So I can start and I'll pass to Jessica. So we have both through the work of the FCA and the Payment Systems Regulator, which is a subsidiary of the FCA, it's been very clear that we see digital ID as a much broader issue than just payments, but it is actually an enabler. So it is something that we support both in terms of making payments more friction-free, but also in terms of the fight against fraud. So it is something that we support. We've been on record saying that, and we will continue to support that. But it is a much broader issue than just financial services. But, Jessica?

Jessica Rusu

Yeah, maybe just to add to that, we partner with the ICO, the CMA, and Ofcom as well through the Digital Regulatory Cooperation Forum on digital ID and these sorts of topics to support innovation. And digital ID will help us achieve our statutory objectives and can play a role in preventing fraud and financial crime.

Ashley Alder

Thanks very much. Right. I'm going to start the next round of questions with an online question. I think we're sticking with Jessica on this, which is about AI. What are the FCA's views on the deployment of AI by firms and how is the FCA themselves deploying AI to improve regulatory oversight and support? Also, how is the FCA combating the dark side of AI and its use by criminals to commit fraud and other financial crime? And that's from Simon Thomas. Jessica, do you want to go to that straight away?

Jessica Rusu

Yeah, sure. Thank you, Simon, for the question. So data technology and in particular artificial intelligence are a real opportunity for firms. In particular, some

of the great use cases that we have seen involve anti-money laundering and intelligence connections within their network analysis, and firms have an opportunity to invest in AI. So we are supporting firms as they seek to adopt AI in their back office functions, and in potentially consumer-facing ways. Agentic AI also offers an opportunity to reach out to more consumers, give better access to consumer financial inclusion and advice. And through the work that we're doing in our innovation services, we're supporting firms with the safe adoption of AI, whether that's through providing them with data and fraud typology so that they can develop their AML approaches, or through innovation and testing their products and services with consumers with regulatory oversight. And then internally within the FCA, we of course are also investing heavily in our data technology estate, as well as looking at the role artificial intelligence can play in helping us connect the dots between intelligence and crime and taking proactive action. Thank you.

Ashley Alder

Thanks, Jessica. Right. Just one short question online and I'll take one from the room. And the online question is from Alex Yordanov and it's on Hartley Pensions. And the specific question is could we get an update on the investigation into the Wilton Pensions Group? Can I just take one question from the room?

Neil Taylor

Hello there. My name is Neil Taylor. I'm Chair of the Wellesley Investors Action Group, also with the Woodford Campaign Group. To be honest, I've been involved with the Woodford and the Wellesley thing debacles for both of them, myself personally, and I wanted to support people around who've also been affected by this. I know the FCA said they've concluded their investigation very recently, but we're not happy with that at the moment, and we'd like, as Therese Chambers offered us in February, another meeting to discuss things with her. Is that going to be made available to us having written to her on the 20th, or Richard Topham actually, on the 20th of September?

Ashley Alder

Thanks for your questions. So can I go to Therese first on Wilton Hartley?

Therese Chambers

Yes, absolutely. So in relation to Hartley, we have substantially concluded our evidence gathering and analysis in relation to our investigation. I'm unfortunately not able to give you details of the timeline for next steps, but I hope it is encouraging news to hear that we are very close to the end of our investigation.

And I do hope to be in a position to say more about our conclusions at the earliest opportunity. Neil, in relation to Wellesley, I'd be very happy to meet with you again. We had a very productive meeting earlier in the year. Be very happy to pick that up.

Ashley Alder

Okay, thanks very much. So I think we can go to the next round of questions. And again, I'm just going to start with an online question and this is from Joanne Oskarsen-Stewart for Sarah, and it's on sustainable finance, climate change, and lack of progress across the financial services industry. What's the strategic direction of the FCA and the regulatory landscape for firms given the complexities and challenges present that are out of our control, such as lack of government policy, consumer demand, lack of infrastructure and data and technology. And as one short online question before I go back to the audience in the room, it's from James Thomson to Simon. It's about, well, the question is are you happy with the balance between bank and non-bank regulation following the financial crisis? So quite a big question there for you. Can I just take one from the room, please? Number three.

Debra Clarke

Testing, testing. Thank you. I don't think I'm going to be as polite. You all talk a very good gig, but it all seems a little bit fur coat and no knickers and you need to take a lot more action across the board. You've talked about unregulated people. I'd like to talk about Woodford, Neil Woodford, who was completely authorised by yourselves and I think you made him take on an ACD Link fund solution that he didn't want to, and that did have catastrophic consequences down the line. You also, it came to pass that we had to vote on a scheme of arrangement and this is up to 300,000 investors. We didn't have all the information. I actually made a point to the committee, how can I possibly have a vote when I haven't seen the FCA report on Woodford. Now that report has only been published this year, six years after the initial proceedings.

This is not good enough. I'm sorry, it's too long. It takes too long. Why does it take so long? That's across the board. And then because of that scheme of arrangement, which I don't think the general public fully understood, we had our rights taken away. You had to sign away your rights to the FOS and FSMA. And because of the 77p in the pound, which the FCA promoted throughout all the tabloids and the papers that was misconstrued by the public, I think, because it was only a small section, not the whole losses, and that didn't come to pass. In fact, it was more like 7p in the pound. These are things are not understood by the general public, unsophisticated punters as we are, of which I am now speaking to you not with all the knowledge that all these other people have. You have so many

detailed cases and quite frankly just, yeah, let me know your thoughts on all of that. Thank you.

Ashley Alder

Thanks very much. Woodford clearly is a very, very high profile case. Can I go first to Steve on that? Then we'll come back to the other two questions that were asked earlier on.

Steve Smart

Sorry, I didn't get the name of the questioner there.

Debra Clarke

Oh, Debra.

Steve Smart

Thank you, Debra. Obviously we have a lot of sympathy for people who lost money during the Woodford events. I think the things that you've raised there, which have been gone through on a number of occasions, the scheme of arrangement, which I think was voted for by 94%, 93.7% of the investors, the unit holders, went through the High Court. All of the issues that you've just flagged were challenged at the High Court. The High Court took a decision on it. From our perspective, we put a lot of time and effort into working with LINK on that scheme of arrangement because we thought it was the best and potentially the quickest route to getting some form of redress for investors, being very clear that that redress was only in relation to the issues that we identified in the investigation where we believe Mr. Woodford, and WIM, and LINK failed to properly manage the liquidity framework for the fund. It wasn't about investment decisions or investment losses in the fund.

You asked about the length of time. It was a very complex and detailed investigation. We put a lot of priority on it as an organisation and we put a lot of resource into it. I think our first report was published in '24, which was into LINK. That was the final notice for LINK. We then published this year, or with the RDC published, the decision notices for Mr. Woodford and for Woodford Investment Management having gone through a process of about a year where Mr. Woodford and WIM, quite rightly, they had a right to challenge our findings and they challenged the findings with the RDC. We've now been through that process. They are now exercising their right to challenge the findings.

Again, it's due to go to the upper tribunal. There is no date for that yet. The tribunal will set its own date, but we think that is likely to be towards the end of next year. And so, there are some bits in there where I can't talk about it now because there's a legal process running and we still need to challenge it. But the scheme of arrangement itself, we worked very hard with Link to get a figure, 230 million, which was five times over what Link had in liquid assets at the point that the fund was suspended. Again, we thought that was the best we could do for investors in that sense.

Andy Agathangelou

May I correct the record, please?

Ashley Alder

Certainly, if you can make a quick point.

Andy Agathangelou

Just to correct the record, I believe it's just been stated that 94% of the investors voted in favour of the scheme. That's factually incorrect, unless I may have misheard it. The reality of course is that 94% of the people who voted, voted in favour of the scheme. The point that was made earlier by Debra Clarke is very valid, sir. Because myself and others literally wrote to the Financial Conduct Authority practically pleading for you to correct the misleading 77p in the pound claim on the basis that we had very good reason to believe that people thought it meant they would get a 77p in the pound on the losses. And those beliefs were based on the fact that people were telling us that is what they believed. So let's get the chronology right.

Number one, FCA issues a press statement suggesting 77p in the pound, that was the headline. Number two, evidence provided to you through me that people were believing that meant 77p in the pound. Number three, me practically pleading for the FCA to issue a corrective statement to make sure that nobody accidentally voted for a scheme thinking it would deliver 77p in the pound on the losses, which as Debra mentioned, was actually going to deliver only just 8p in the pound in many cases. May I please now ask you, Sir, to correct the record? Thank you.

Ashley Alder

Steve, do you want to come back on the end?

Steve Smart

You are right. It was of the people who voted, but I think that was the vast majority of the fund that did vote. I think we were very clear, and have been very clear, what the scheme of arrangement was for and the losses that it related to. There was a lot of material put out at the time. It's very clear in the reports now that that's where the reference was.

Andy Agathangelou

I have the correct reference, Sir. [inaudible]. It is a matter of fact, Sir, that an All-Party Parliamentary Group that I do not speak for but I'm aware of, issued a report early this year explaining in very forensic and granular terms that it had many, many concerns based upon evidence given to it by the public and investors about how the FCA handled the Woodford scandal. And as a consequence, it cannot be claimed that this outcome is in any way acceptable. And one of the very, very important points made in that report is that people were misled about the claim that investors would get 77p in the pound. Do you have any issue with us ensuring that relevant evidence is published and put in the public domain that I believe will support the statement I'm making, which is that the FCA accidentally or otherwise misled people.

Nikhil Rathi

If I could just come in, Ashley, because I know that there were a number of challenges. And I believe, Andy, you may have been involved or associated with some of those where these claims were tested in the High Court when some investors were challenging the foundations of the scheme of arrangement. And the High Court looked at this, looked at the statements made by Link in terms of the documents around the scheme of arrangement. So I do think that has been examined very closely. We of course want to say more about the broader Woodford situation. We were going to have to wait until the upper tribunal sets a date and we have to respect that process. The subjects of investigation have rights to challenge, but as soon as that is done, of course we will look to say more on that.

Ashley Alder

Thanks, Nikhil. Okay. I want to get to the other questions we asked in this round. Simon, do you want to pick up that broad question around banks and non-banks?

Simon Walls

Yes. Thank you, Ashley. Thank you, James. It's a short question but an extremely big one. Am I happy with the balance between bank and non-bank regulation? That has been a major theme of the last 20 years since the financial crisis. A huge

investment largely by prudential authorities to ensure that banks are safe and you can trust in your deposits and the banks don't need to call on the public purse. So huge investment, major theme. And it's entirely true to say that a large proportion of wholesale market activity has moved from banks to non-banks. Generally in a very high level arc, I think that's fine. It generally moves risk-taking, investment risk-taking into longer-term vehicles that can withstand ups and downs of investment. However, we need to be vigilant. We need to recognise that is one of the major things that's happened over the last 20 years. We need the information and often we need to work cross-border.

Lots of these private vehicles or non-bank vehicles operate cross jurisdiction in different markets and we really need to work very closely with fellow regulators, including multilateral regulatory bodies, to make sure we have that information. On the conduct side, in many places the rules are the same. So when it comes to our expectations around market manipulation or market abuse, the rules are the same bank or non-bank. A phenomenon of the non-bank world is you have many agents. So on the conduct side, we have a real focus on conflicts of interest. I'll probably leave it there because I'm sure there are lots of other questions. It's a major theme and all regulators and all securities regulators really need to be aware of the change and understand it.

Ashley Alder

Thanks, Simon. Sarah, do you want to pick up on the sustainable finance question?

Sarah Pritchard

Yeah, of course. So on sustainable finance, I'd say firstly it is really important that we work together with other regulatory partners domestically and internationally. So working closely with the Government who will set the strategic policy agenda, working closely with the Bank of England and the PRA, we'll be thinking about what is the impact in terms of climate, in terms of financial stability, and critically working with international standards-setting bodies where we are really thinking about making sure that risks are disclosed by companies, by listed companies, and by firms that we regulate.

From the consumer perspective, we're also focused on making sure that consumers understand, particularly in the funds space what it is that is within the funds. And you'll be aware that we introduced last year the rules for sustainable disclosure labelling to give consumers greater understanding about the funds that they may wish to choose to invest in. The other thing I'd say is this is a risk, I think, that remains with us. And so we need to remain vigilant, we need to work in lockstep with those partners that I've just talked about. And we are working quite

innovatively with the PRA and the Green Finance Institute at the moment, looking at what the barriers might be in terms of transition finance, looking at whether there's regulatory barriers or different barriers that might get in the way and the role that we can play in the FCA in supporting that.

Ashley Alder

Thanks, Sarah. Right. I'm going to kick off the next round with a question for Nikhil and it's an online question. It's from Christine Moran, and the question is this: could the FCA share the tangible steps it's taking to addressing the House of Lords report, which refers to and in quotes, "a culture of risk aversion amongst regulators which undermines their competitiveness and growth objective." And the second part of the question is: is the FCA going to reintroduce the concept of regulatory proportionality, in particular, since the global financial crisis the UK regulators have introduced retail level of regulation to institutional firms. And how is the FCA demonstrating greater consistency with European regulators?

There's quite a lot there, but I think the essence of the question is pretty clear. Can I also, there's another online question, very different topic, mortgage prisoners. That's from Derek Vann, where a closed book mortgage lender, why are closed book mortgage lenders allowed to sell their portfolios to other closed book mortgage lenders? Such actions do not comply with the FCA Consumer Duty on reasonable outcomes for the mortgagor. Now can I take one more question from the room? Number four, near the back.

Unidentified

Thank you. Only a handful of people in this room would know that from around June 2024 to June 2025, the FCA themselves were under a rare judicial investigation by the Investigatory Powers Tribunal. And last week it was reported by Money Marketing that the FCA are awaiting permission for judicial review concerning a former employee's Article VIII Human Rights complaint about covert monitoring and surveillance. Having said that, could the panel outline what systems controls and governance safeguards the FCA currently has in place to ensure any use of surveillance or investigatory powers that it has, particularly when directed at regulated individuals during the course of regulatory investigations, is conducted lawfully, proportionately, and in compliance with human rights obligations. Also taken into fact that the FCA, contrary to UN best practice, does not have a standalone human rights policy. Thank you.

Ashley Alder

Thank you very much. Okay, so I'm going to go to Nikhil first on that broad question around risk aversion.

Nikhil Rathi

So on Christine's question around risk aversion, obviously this is central to the whole discussion that has been going on in the economic debate, regulatory debate more broadly, around risk appetite in the UK, risk appetite amongst regulators. You'll have heard the Chancellor's Mansion House speech last year where she said that she felt that regulators were regulating for risk and not for growth. The Prime Minister's letter to us on Christmas Eve, alongside the Chancellor, which underlined that point as well. And what we have said around this is we would like an open debate around the risk appetite, the Secondary Competitiveness and Growth Objective that Parliament has given us alongside our strategic objective and our three operational objectives of consumer protection, market integrity, and ensuring competition, requires us to be open about some of the choices that we face. And I would say in respond to the Prime Minister, we set out around 50 ideas.

We are moving very fast in delivering pretty much all of those this year. And you asked me for concrete examples, I can give you a few in particular. We made adjustments to mortgage standards at the start of the year and have made further changes just a couple of months ago. We know there are issues around the country, in cities up and down the country, where people are paying higher rents and not always able to access lending to buy their first home. We made adjustments which lenders responded to quite quickly actually, within a few weeks or months of us making those changes. We have made remortgaging easier. We've made using digital channels easier. But the point we've been making through that, and we're seeing this come through the data now, is that mortgage approvals have been going up and we do think access is improving.

But we can't do that at the same time as saying that for a small number of people over the typical interest rate cycle, some more people won't fall sadly into difficulty. And there is an example there of a risk appetite choice we have made. Sarah is leading the work on targeted support and advice. It's not a good situation that only 9% of people with investible assets of over 10,000 pounds take financial advice in the United Kingdom and it's even lower number for people with less than that. We are being bold in our proposals for targeted support to make a wider range of advice available, including moving away from requiring completely customised advice for each individual. We believe that's going to work better for a critical mass of people. Can we guarantee that it's going to lead to a better outcome for everybody? No, we can't. And as we're debating these issues in Parliament and through our consultation, we've been quite open around that.

We've put through major reforms to the capital markets framework in the UK on listings enabling companies to raise capital as well. So those are all concrete examples. And one of the things I've asked the government to engage with us on,

and the Treasury in particular, is you've given us competitiveness metrics, we have operational metrics. It'd be good to understand if you could just give us a bit more around the risk metrics you see we as regulators should work with, so we can calibrate accordingly. I could talk for a long time on this topic and I do in various speeches.

Ashley Alder

Thanks, Nikhil. Okay. Can we go on that question around investigations and safeguards. And so, should we go to Steve on that?

Steve Smart

Yes, thank you. Actually, thank you for the question. We do have some covert capabilities and we do on our criminal investigations deploy some of those covert capabilities on occasion. I won't go into the particular capabilities for obvious reasons, but we are regulated in that in the same way that any other law enforcement agency would. We are inspected by the Investigatory Powers Commissioner who will come in, do an inspection of the work we do there. We'll look through the paperwork. We have a very strong and clear authorisation process within the organisation, where use of those powers has to get authorised at to senior level. We've just had one of our IPCO inspections actually, it was a very positive response, I'm pleased to say in terms of the way we do it and how we protect that. So yes, we have got some of those capabilities, but we have a system in place and we are inspected in the way that others are in our use of those.

Ashley Alder

Thanks, Steve. That's the dealing with question in the investigations we do into firms and individuals externally. Siobhán, do you want to say a word about our internal kind of employee policies around that?

Siobhán Sheridan

Certainly. From a colleague standpoint, we're very clear in our policies about circumstances in which it would be appropriate for us to be monitoring any aspects. We have very clear processes through which we do that, controls that we feel confident about and we look at those policies as and when legislation is updated.

Ashley Alder

Thanks, Siobhán. Right. I want to go across to David on mortgage prisoners.

David Geale

Yes. I might reframe the question slightly. So there may be many reasons why an active lender would sell its mortgage book, and there may be different reasons why one firm who's taken on that mortgage book may sell it to another. I wouldn't see that as necessarily a problem in itself, moving from one end to another. The key thing is that the customer experience is what they expect it to be. And when say the regulated firm sells a mortgage book in that way, we'd expect them to be considering the customer outcomes that they have promised and making sure that those outcomes are consistently delivered. So I wouldn't necessarily see it as a problem to transfer books from one lender to another.

Ashley Alder

Okay. Thanks very much, David. Okay, let's go to the next round of questions. I'm going to take two online and then one in the room for this. The first online question is around email deletion. It's from Mark Bishop and it's this: the FCA now operates a data destruction policy under which all emails are deleted after a year, unless specifically marked for retention on the basis that the message constitutes a decision. Does the FCA accept that a decision to do nothing is also a decision, i.e., there are many emails that pass through the regulators' IT systems that might result in a positive decision and perhaps ought to do so.

It's quite a long question, so I'm just going to truncate this to an extent then just go to Jessica a little later to answer this one. The end of the question is, in keeping with your undertakings given at this Annual Public Meeting to work to rebuild trust in the industry and its regulators, would you consider reversing this policy before too much data is irrevocably destroyed? Now the second online question I want to go to is this. It's from Edwin Fisher. The FCA is renowned for its bias against consumers and its bias in favour of firms. This is supported by Trustpilot Reviews and personal experience. Is that what the FCA was set up to do? And can I take one question from the audience, please? Yeah, number two.

Paul Carlier

Yeah, sorry. Back to car finance on this one. It was a question I had and it's also, in a sense, does challenge something that Nikhil said earlier. Nikhil, you said that 99% of car finance complaints on incentivised commissions were being denied way back when, and it implied that that was due to the conduct of the banks. However, I have recorded testimony from two separate Financial Ombudsman managers, one from 2019 and one from April of this year, both of whom confirm that the FOS bows to the FCA authority when it comes complaints. And that it was the FCA that determined the decision to deny the complaint I submitted to the Ombudsman in 2016. And again in 2019, it was the FCA that determined that the FOS should

deny all complaints made to the Ombudsman, or escalated to the Ombudsman, that was specific to incentivised commission arrangements.

So that rather is now the question was put to James Dipple-Johnstone, acting CEO of the Ombudsman, in February by Dame Siobhain McDonagh. She asked if this was correct that the FCA had instructed the Ombudsman in 2016 and '19 to deny all complaints escalated to it, specific to incentivised commission arrangements. Mr. Dipple-Johnstone said no. So my question is, did Mr. Dipple-Johnstone lie to the Treasury Select Committee in February or did these two managers lie both lie to me six years apart, notwithstanding that the documentary evidence I now have corroborates what the two Ombudsman managers told me.

Ashley Alder

Okay. Thanks for your question. Can I go first to Sarah on that question around consumers, and firms, and buyers?

Sarah Pritchard

Yeah, of course. So, our job at the FCA is to make sure that markets function well and guided by our three primary statutory objectives. So, protecting consumers, ensuring market integrity, and promoting competition in the interest of consumers. And as I talk about our strategy, which I mentioned right at the start, helping consumers navigate their financial lives is central to those four themes, our four priorities for the next year.

As I think about the work that we're doing to develop a regulatory framework, engagement and testing with consumers is really important to us, as is seeking the input of a number of our statutory panels, the Consumer Panel being one that gives us a really good perspective as we're thinking about developing our consumer protection work. If I look at targeted support, that work that Nikhil has talked about, where we're looking to reform the advice guidance rules so that we can help consumers make more informed decisions about their finances, we've done really extensive testing with consumers, both in terms of what targeted support to support a retail investment journey might look like, what targeted support might look like in terms of supporting people to make more informed decisions about their pensions.

So, we are absolutely guided by our job, which is to make sure that markets function well, protecting consumers, market integrity, promoting competition in the interest of consumers, and thinking about the consumer experience is really front and centre as we're thinking about developing some of that new regulatory policy.

Ashley Alder

Thanks, Sarah. Jessica, do you want to pick up on email policy?

Jessica Rusu

Yeah. Thank you, Mark, for your question.

So, as we spoke about earlier, the FCA has been investing heavily in its data infrastructure, our data record keeping, as well as our technology and our opportunity to leverage intelligence tools, which help us connect the dots between the information that we collect better and faster. And one of the things that we have been working on is our records management policy. As you can imagine, the FCA receives hundreds of thousands of emails per day, but many of those that go through our supervisory caseflow system are excluded from our email deletion policy. And that also pertains to anyone who would be on a legal hold type situation would also be excluded from any email deletion policy.

The aim of the policy is not to lose records, but actually to put them in the right place. We have better searchability of records and the better opportunity to act on information that we collect when it is held centrally. And therefore, we have been working very carefully and proactively with all of the colleagues at the FCA to make sure they understand the information management policy and to put records in the right central repository so that they can be accessed by everyone, and not just the individual's personal inbox.

We're also looking at ways to leverage technology to make it easier and faster for colleagues to identify the appropriate records and put them in the right place, such as automatic tagging and retrieval systems. So, we've taken a number of careful and thoughtful steps to make sure we're putting information in the right place. So hopefully that helps shed some light on the approach that we're taking to records management.

Ashley Alder

Thanks, Jessica. Nikhil, do you want to pick up-

Nikhil Rathi

Yes, if I come back on the motor finance point. So, the specifics around any 2016 complaint for FOS, I don't have those details with me. It sounds like you have picked those up with James at the FOS, but I'm sure you could send them to Stephen as well, who could take a look at the specifics there. To my knowledge, there is no direction from the FCA to tell the FOS not to uphold complaints.

What I would say is actually on discretionary commissions, it was in January 2024 when the FOS made decisions to uphold two complaints, one in relation to a discretionary commission by Clydesdale, now owned by Barclays, and one Black Horse, owned by Lloyds Banking Group. So, they upheld those complaints. It was at that point that we put in a pause on complaints handling because of the scale of the issue. And that allowed us to launch the investigation, which we talked about earlier. It also gave space for those firms that wanted to challenge that decision to do so. So, Clydesdale, as you know, challenged that decision to the High Court. Black Horse didn't. That High Court judgment came last year. Clydesdale lost. In parallel, there was a set of cases going through the county court through the Court of Appeal up to the Supreme Court.

So, the FOS actually upheld two discretionary commission arrangement decisions, and that has been part of the passage of events here that has led us to the consultation that we announced two days ago.

Ashley Alder

Okay.

Nikhil Rathi

What I'd say broadly actually, on FOS more broadly, there is a reform discussion underway. What we have today is what we call a wider implications framework, a bit like that motor finance case where something very significant is happening, which maybe they're making an individual decision, but it could have some big impacts for the market where we talk to each other. And the Treasury and us and the FOS are talking about how, where there are similar situations in the future, we can make sure that there is good alignment. And that's something we hear from everybody actually, that can we make sure there's alignment between the regulatory system and important decisions that FOS makes.

Paul Carlier

Okay. On that, the internal cash-up documents I've got from the Ombudsman dated 2019 reveal the existence of a car finance stakeholder group of senior managers that reported to then CEO Caroline Wayman. They also confirmed that a separate complaint that I had submitted to the Ombudsman was upheld on February 28th 2019, days before the FCA final notice. However, it was captured, and the internal emails reveal, by a red flag that would divert all car finance complaints of that nature to the stakeholder group before they were sent to consumers. That stakeholder group of senior managers then put pressure and intimidation on the adjudicator that it upheld my family member's complaint to reverse the decision. And she did.

When I challenged the Ombudsman managers as to what the red flag meant, they confirmed that the red flag was the result of discussions between the FCA and the Ombudsman where an approach was agreed and predetermined outcomes were agreed on particularly significant or sensitive issues. The same approach that was adopted in 2009 specific to PPI, where the FCA came out and publicly said, "Complaints should be upheld" and the Ombudsman would tow the line in the same approach.

So, none of this is... What you're saying today isn't consistent with the records I've got, and that I've got multiple other Ombudsman employees that confirm that regular discussion takes place between the FCA and the Ombudsman. And not only that, the manager I spoke to in April this year confirmed that the decision to uphold those two complaints against Black Horse and Barclays was actually taken by the Ombudsman at the instruction of the FCA. Or is that manager lying to me?

Ashley Alder

Can I suggest that you send the information you have into us? I haven't seen it before personally, but-

Paul Carlier

Well, I addressed the letter to you, Ashley, and you, Nikhil, dated December 31st last year, alleging all of this and referring to the detailed grounds document that was in the High Court that basically gave me the grounds to challenge the way the FCA and the Ombudsman treated me and my family members and those complaints from several years ago. Are you saying you haven't seen that letter?

Nikhil Rathi

So, what I'd say is there's obviously a set of issues there which are really for the Ombudsman to deal with.

Paul Carlier

No.

Nikhil Rathi

But what I can say about the January 2024, because we were very engaged and, of course, the FOS and the FCA talk to each other all the time on issues of significant importance for the market. That's what the statutory framework requires us to do. We have a wider implications framework, and those mechanisms are going to be strengthened.

Paul Carlier

And it should be that way.

Nikhil Rathi

It's because we knew the Clydesdale and Black Horse decisions were coming that we then took the decision to pause complaints. But no, there was no instruction in January 2024 from the FCA.

Paul Carlier

There was no encouragement, no indication.

Nikhil Rathi

In relation to the-

Paul Carlier

So, these managers have lied to me, the Ombudsman manager.

Nikhil Rathi

Look, I'm not familiar with what any colleague at the FOS has said. I have a huge amount of respect for our colleagues at the Financial Ombudsman Service, and James in particular, who's leading that work. I'm not familiar with the detail. They work very hard to deal with some very difficult issues, and we work closely with them. But did we instruct on a particular case? No. Do we work closely together so we know what's going on so if there are big system-wide issues in the market, we're able to make sure we can intervene for the integrity of consumers and the market? Then yes. And we look to strengthen those in the future.

Paul Carlier

But there's been a mechanism in place for almost a decade that basically establishes that the FCA and the Ombudsman will discuss, collaborate, and make sure they're on the same page, but you're saying today that that hasn't been the case.

Ashley Alder

I think Nikhil's answer was really, really clear on our approach with the Ombudsman, which is the Ombudsman is an independent decision-maker. We have an appropriate relationship with the Ombudsman, which is appropriately

close because we must discuss cases that cross the barrier. There's a consultation at the moment on foot, which is really, really important. It's about, among other things, the relationship between the FCA and the Ombudsman. But to the specific point, the way in which I've observed, I Chair something called the Oversight Committee of the FCA, which looks at the work of the Ombudsman, so as I'm concerned, the relationship and the discussions that take place between the FCA and the Ombudsman are entirely appropriate. But if they have something else, you are obviously free to resubmit it if-

Paul Carlier

Well, I have done. But as I say, the letter I addressed to you, Mr. Alder, and you, Mr. Rath, in December 31st last year, it appears that you are saying that you never received a copy of that, even though the FCA complaints team have informed me that it was received and they've initially tried to deem it was ineligible.

Ashley Alder

You're very welcome to send information to us.

Paul Carlier

It doesn't get to you, though.

Ashley Alder

I think I've described what the position of the FCA is in the context of the Ombudsman. And I've also emphasised, I think, there's a very important discussion right now about that relationship, which is, as I say... and decisions will be made down the track, and that's about the way in which the FCA rules link up with the decisions of the Ombudsman.

Nikhil Rath

I'd also make a point that if we do go forward with a scheme on redress, the Ombudsman will be bound by the rules we set. Part of the reason for doing it is so we have consistent efficient outcomes for something of this scale. But those rules will be made after a consultation, after engaging with all the feedback. So, there are powers which we have if we do want to bind the Ombudsman to a particular approach on a particular type of case, which is what we are looking at now in the case of motor finance.

Paul Carlier

But you're saying today that there was no dialogue.

Ashley Alder

I'm now going to move on to the next question.

Paul Carlier

No, sorry, you haven't answered... You're saying today that there was no dialogue between the FCA and the Ombudsman prior to the January '24 upholding of those complaints. That was a complete shock to you that they were going to uphold these complaints.

Nikhil Rathi

No, no, it wasn't. We knew, which is why on the same day we put out a-

Paul Carlier

There was no discussion between-

Nikhil Rathi

We view the-

Paul Carlier

... the Ombudsman and the FCA prior to the Ombudsman saying they were going to uphold those complaints?

Nikhil Rathi

We were aware. I think the Ombudsman publishes quarterly the nature of complaints it receives and it produces statistics. And you could see in the period through to 2024, there was an escalating number of motor finance complaints.

Paul Carlier

6,000.

Nikhil Rathi

We were clearly aware of it. And through the Oversight Committee, one of the things that the Oversight Committee does is looks at case numbers and budgets, so we were aware of it and we understood those decisions were coming, which is

why we also broadly at the same time through our board discussed what the implications might be if we didn't take action. We took the exceptional decision, which we felt was proportionate, to pause complaints to allow the issue to be investigated on a system-wide basis. Of course we talk about issues of significant importance, but I think the question was suggesting that we were directing them. No, we didn't direct them.

Paul Carlier

Direct and encourage. Basically, you had input of some kind into the Ombudsman decision to blanket deny complaints from 2019 onwards and also the decision to uphold. You're saying that there was no consultation or no discussion with the Ombudsman or no input from the FCA in respect to the decisions to initially deny for years and then uphold last year?

Nikhil Rathi

Well, I can speak about last year. We were absolutely engaged to understand what was being considered by the Ombudsman, and we knew those decisions were coming and we were obviously engaged to understand that our rules were being interpreted as we intended. The decisions are made by the Ombudsman. And as you've seen now, there've been a number of court cases that have looked at all this, and the Ombudsman's decision was upheld. We intervened in those court cases to make sure our position was understood. So, there is considerable scrutiny of how this works on significant [inaudible].

Paul Carlier

Exactly, so you are in agreement with the Ombudsman decisions. I've seen the detailed grounds document you submitted to the High Court in support of them, so you're a hundred percent behind them. However, are you going to then push back against UK Finance, who have sought to manipulate the Treasury into reforming the Ombudsman to take away powers from the Ombudsman on the basis that it acted as a quasi-regulator when making those decisions contrary to the FCA's positions on incentivised commission arrangements? That was in their Mansion House document. They're leveraging the Ombudsman decisions as if they were a quasi-regulator when, according to you today, they're not. You were in agreement with that. It wasn't contrary to your positions, and have managed to use that to manipulate the government into making reforms that are anti-consumer when it was not the case.

Nikhil Rathi

So, we're working closely with the FOS and the Treasury. Where there are representations made by industry which we disagree with, we're clear. And I've been really clear, for example, very publicly in Parliament when CEOs of banks have made statements that the Financial Ombudsman Service was being retrospective in its application of the law. So, saying that they were effectively taking our 2021 ban and applying it retrospectively. I've made really clear that that's not our view. It's not my view. What we are dealing with is the breaking of the law and rules in force at the time. So, we're very clear when we disagree, but we also want to make sure the system works well and effectively for investors who want predictability and certainty from the regulatory environment in the UK. And we know there are improvements that can be made, and we're working closely together on them.

Thank you for your... I think there's a set of quite detailed questions there, which may be, if there's been a complaint, Stephen, we can look at and just look at how that's going.

Paul Carlier

And I would like to point out to Mr. Rathi and Mr. Braviner, I thought you dealt with the questions from John Glenn at the recent Treasury Select Committee very, very well. Mr. Glenn was trying to blame consumers for falling foul of this when, and as you both quite correctly pointed out, no, the lenders broke the law and they were concealing information from consumers, so therefore how could the consumer have known? So, on that point, thank-

Nikhil Rathi

I'm glad we agree on something.

Ashley Alder

Okay, I think we're getting actually near to the end of the allocated time. I think just in light of the quite lengthy discussion on an important topic, I think I want to extend the meeting by about 10 minutes or so, so we can just get some more questions in on some other the topics.

I want to go to one on crypto and investor protections. It's an online question from John Robertson. And the question is this, given that UK investors are currently barred from accessing regulated Bitcoin ETFs, such as IBIT, what is the FCA's long-term policy view on balancing investor protection with competitiveness of UK capital markets?

So, can I go to David on that question?

David Geale

Yes, and I'll probably share the question with Simon actually. This is a very big question, to be frank. I think crypto assets, cryptocurrency is a big topic. What we are seeking to do is put in place a regime for a sustainable market that is competitive, is innovative, is transparent and trustworthy. But fundamentally, some of the investments that sit within that are speculative. They are hard to value. And one thing we can guarantee is that people will lose money on some of those. So, what we want to do is design a framework that sets out the appropriate protections, and we're doing that from scratch.

We've started from a position of for the same risk, you would generally apply the same regulatory protections. That's flowing right through what we're doing. And then we're consulting on a range of options around things like location policy, so what should be located within the UK, the Prudential standards, so what capital should firms hold, things like the application of the Consumer Duty. And some of these topics are really quite tricky, so we've taken a mixed approach of consulting where we think we can be more certain and opening up a discussion on aspects like Consumer Duty. If you think about the difficulty improving fair value, we've opened that up for debate. We've also opened up for debate on things like areas around the Financial Ombudsman and the application of that.

So, in general sense, what we want to design, as I say, is something that is there and it's a sustainable market that enables participation, but participation where people understand what they're getting into, they understand the risks, and we're balancing that against our international competitiveness objectives. So, we work very closely with international standard-setting bodies such as IOSCO, the FSB, and the Financial Action Task Force. We are very closely monitoring what's happening in other jurisdictions. We actually think, given the nature of this, it's important to have a global approach wherever we can, but we are consulting broadly over the course of actually the next year or so actually on the protections that we should put in place to make sure we deliver that transparency and protection that we think is appropriate.

But Simon, you wanted to-

Simon Walls

Yeah, thank you, David. Maybe take the board question and then into the Bitcoin ETF, which is the specific question.

Recalling Sarah's comments right at the start of the meeting, we do want more retail to feel comfortable operating in capital markets in the UK. We have the statistics from our Financial Lives Survey: 61% of adults with over 10,000 pounds

hold at least 75% of that in cash. We do want more, not because we want people to be exposed to investment risk, but because we want people to have better financial lives, and one of the best ways to do that is to be exposed to the compounding effect of capital markets. But we need people to... That is all founded on trust, and we understand that the biggest reason that retail at the moment do not invest in capital markets is a fear of scams. And 30% of people tell us that. We've heard some stories along those lines today, which clearly need to be addressed for people to have confidence in capital markets.

The Bitcoin element to that, we have to make balanced decisions. The USIT wrapper, so the ETF wrapper that the person asking the question is referring to, typically are regulated consumer products and they're diversified. And today, we're saying that's not appropriate for a Bitcoin-only investment, but we will allow investments in that product through an exchange-traded note. That is a change in our approach, and we've made that change because, looking at the landscape, many people in the UK clearly want to buy Bitcoin. They find ways of buying Bitcoin directly or through using platforms overseas, and so we want them to have the protection.

We found that balance of the direct ETN but not the ETF, but it's something that we'll keep looking at. And actually, our whole landscape towards high-risk investments, which Bitcoin is clearly one, we're trying to balance the ability for people in the country to do what they want to without undue restriction, but with the appropriate degree of protection for people who are understandably not experienced in financial services. We have these different categories of securities that are readily realisable, restricted mass market or non-mass market, and we'll be looking very closely across the whole landscape to make sure that crypto fits in that in a sensible place.

Ashley Alder

Thanks very much.

Okay, so in the last few minutes, and we have extended a little bit, some quick-fire questions, if we can, so we can get in as much as possible. I've got a question from Pauline Creasy on Premier FX. Why has the FCA the right to refuse to follow the direction and the recommendation of the complaints commissioner to pay compensatory interest to Premier FX claimants for the three years and eight months they were denied access to their money?

Stephen?

Stephen Braviner Roman

Thank you. I don't know if Dr. Creasy is online or in the room. First, I'd like to express sympathy to Dr. Creasy and the others who lost significant amounts of money because of the fraudulent actions of Peter Rexstrew, who was the director of the company. I can only imagine how distressing that whole situation was. And also, I'd like to pay tribute to Dr. Creasy's advocacy on behalf of others actually who've suffered as a result of that fraud.

We have accepted that we could have done better in some regards in relation to the authorisation process and supervision of PFX, and we've apologised for that. We did take action, including action against Barclays, who were the bankers of the firm, which led to redress 10 million pounds worth of redress from Barclays to those who had lost money. And that, along with the money that they got from the liquidation, meant that people were recompensing, recovered a hundred percent of their capital that they'd invested.

As you know, Dr. Creasy, the commissioner thought that we should go further and award compensation to make up for the lost investment opportunity as it were, the interest on the money. We don't agree. We were not the cause of the loss. Regrettable as it was, we were not the cause of that loss. And the commissioner made a recommendation, but the statutory scheme allows us to make a judgment as to whether to accept those recommendations or not. And in this case, we did not think it was reasonable to accept.

Ashley Alder

Thanks, Stephen.

Can I also now just go to a question on enforcement policies from John Robertson? Again, it's online. Given the FCA's abrupt reversal on its name and shame policy, does the regulator accept that that episode risks projecting an image of weakness and inconsistency, first overreaching and then capitulating? And how does it intend to restore confidence in its judgment and authority?

Can I go to Therese first on that?

Therese Chambers

Yes, thank you for the question. So last year, we made some measured proposals for a small increase in the amount of transparency we give to our enforcement work. It's fair to say those proposals met with a very large and noisy reaction indeed.

We wanted to achieve, we were proposing four things in that consultation process. First of all, we wanted to be able to say a little bit more in some circumstances

around our investigations into regulated firms. Secondly, we wanted to be able to say more about our investigations into unregulated firms, which actually take up about 60% of our investigations portfolio in relation to firms and in relation to which, prior to our consultation, we were not able to say anything. The third thing we wanted to achieve was we wanted to be able to react when the subject of an investigation made public the fact that they were under investigation. Prior to our consultation, we were simply not able to respond and confirm, even though the subject of the investigation had put it into the public domain. A very curious anomaly. And the fourth thing we wanted to do was the ability to say more about our investigations on an anonymous basis, where we did not name the subject of the investigation but we still felt it would be in the public interest to share some details about what was under investigation so that other firms in similar sectors could take an early opportunity to review their own processes in that area.

What we have ended up with is we made three of those four changes. We did not ultimately change our policy in relation to our announcements of regulated firm investigations, but we have made changes to our policy in relation to the other three aspects. And we have actually, that has enabled us already, since the middle of the year when those changes came into force, that has enabled us already to say more about what we have on the books as an investigation.

In relation to the question about restoring confidence, I'd just like to make two points. The first is that it's important to recognise that we put proposals out for consultation because we want to understand, we want to hear and understand the feedback that we receive, and it's perfectly standard for us to adjust our thinking in the light of feedback. So, that's an important point.

The second point I would like to make is that I think the proof of the pudding is in the eating when it comes to establishing confidence in the way our enforcement function operates. We are producing a greater number of outcomes than we have ever done historically. We are doing that at a much faster pace than we have ever been able to do historically. And we are prosecuting more crime than we have ever done historically, both inside the perimeter and outside the perimeter. And it's that type of activity that does bring confidence in the effectiveness of our function.

Nikhil Rathi

Can I make one just overarching point on this? Because we're here as an Executive team. We're hearing some really harrowing stories from investor action groups, some of you in the room, some of you online who've had very distressing experiences, and in some areas we're investigating. And we do feel as a team, and I know Therese and Steve and their teams feel that we need to be able to say more at times to those who are affected because you want to understand how your concerns are being addressed. And I think that that was the spirit behind

some of what we were trying to propose, where we felt there was a public interest for us to say more, that we should find a mechanism for doing so.

And this question of transparency I think is going to continue to be something that we will need to keep discussing. Andy, you said earlier you want a discussion in these meetings. Well, this is something we do need to keep discussing because if I look at the questions today, a number of them, Therese has tried to say what she can about investigations, but there's only so far she can go. We had a super complaint from Which?, I won't get into the details on insurance, but what they were saying to us is, "You're not saying enough about what you're doing on home and travel insurance." Well, we can't legally say what we're doing on supervision cases. And you may have seen, Paul, at the TSC on motor finance the Treasury Committee Chair pressed me quite hard on some specific firms, where I was limited in what I could say.

But so thank you to John for raising the question. And please do, rest assured, we as Executive team do think very hard about how we can be as transparent as we can be within the constraints of the law within which we operate.

Andy Agathangelou

I have a question because my name was just referred to [inaudible].

Ashley Alder

Very quickly. So, we are at time.

Nikhil Rathi

Sorry, I didn't mean to-

Ashley Alder

Very quick question.

Andy Agathangelou

You just appeared to infer the impact with consultations [inaudible] directly. I make this point because my understanding is that the Transparency Task Force, which is a very effective consumer advocacy group in my opinion, is not allowed to join the FCA's Consumer Network. And secondly, people who actually work for a consumer advocacy group are actually now banned from even applying to join the FCA's Consumer Panel. How can it be consistent, sir, that on one hand you appear to be suggesting that you want a discussion when the very means by which

organisations like mine, which is largely run by volunteers being paid nothing to do the work that they do, are literally prohibited from engaging with you? Why the inconsistency, sir? Thank you.

Nikhil Rathi

I certainly don't think there's any prohibition on engaging with us. I think we do have meetings with you, Andy, and your colleagues. And there's-

Andy Agathangelou

Just for the record, you do not have meetings with us, sir.

Nikhil Rathi

I believe Ashley's met-

Ashley Alder

I've met you this year.

Andy Agathangelou

You had had a meeting with the All-Party Parliamentary Groups. I'm just correcting the record. Allow me to do so. Please do not make the statement you have meetings with us. We routinely practically beg to have dialogue with FCA and we are routinely declined. I'm merely correcting the record.

Nikhil Rathi

Sure. No, but I think I've attended events, at least one event that you organised.

Andy Agathangelou

Right, you've been at events.

Nikhil Rathi

Yeah, that's right.

Andy Agathangelou

[inaudible] attended that event. You refused to attend any more, as I understand.

Nikhil Rathi

But we do want to engage with hundreds of organisations around the country, the Consumer Network, with very valuable feedback that comes from consumer groups, many of them in the community, to help work with us on the insights they have, and there's many charities there, so that can inform our work. And we'll continue to make sure that we hear the range of views from your organisation and other organisations right around the country.

Ashley Alder

Okay, thanks, Nikhil. We're now over time. We did extend a little bit. I'm going to draw this APM to a close now.

Look, thank you for joining us today. And to the point about the AGM that was raised earlier, this is our first hybrid meeting. It's the first in-person meeting in itself for quite some time. I really would welcome any suggestions on how to make it better, more effective, more participation for the next time round. It's really, really important this works well.

So, look, if you're in person here and you have a question that was not answered, you can go to the desk, go to the desk outside and leave it there, and it will be answered. It leaves for me to thank you for being here today. Also, for everybody who's joined online today, I hope you got value out of it. And as I say, next time round, I hope we'll get even more value out of these meetings. And again, just finally, just thanks very much to my colleagues on my right and my left here for participating today. And I'll close the meeting now. Thank you very much.