

Telephone: 020 7066 9346

Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Katherine Salih  
Retail Policy and Conduct Risk  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

16 February 2009  
Our ref:CP08/19

Dear Ms Salih

## **CP08/19\*\* Regulating Retail Banking Conduct of Business**

This is the Financial Services Consumer Panel's response to CP08/19\*\* Regulating Retail Banking Conduct of Business. The Panel is wholly supportive of the intentions behind the regulatory changes set out in CP08/19\*\*, although we would have liked to have seen the scope of the proposals extended to embrace all aspects of retail banking conducted by FSA authorised firms.

Over the past few years it has become increasingly clear that the current regulatory arrangements for retail banking do not deliver services of the quality that consumers are entitled to expect. Retail banking is one of very few areas where FSA authorised firms effectively regulate themselves. Given the extraordinarily important economic and social role of banking it can no longer be accepted that the FSA should have such a peripheral role in regulating how banks deal with their retail customers. 'No change' is not an option and so we welcome the FSA's decision to regulate retail banking. The Panel believes the success of the proposals will ultimately rest on two key elements, the interaction between the FSA and OFT and the content and status of industry guidance and we have tackled these specific areas of concern in our response to the questions set out in the Paper, which are attached. First, however, we would like to highlight the key issues from a consumer perspective.

### **Key Issues**

*Delivering the right messages to consumers:* consumers will need to understand how the new regulatory framework will operate for them and the benefits it will bring. Although as a Panel we have had a number of concerns about the Banking Code, it is readily and freely available to consumers and it is vitally important that consumers have easy access to clearly written information about retail banking services in future. The current 'short form' Banking Code available to consumers is informative and helpful. We would like to see a similar document based on the new regime, including information from any relevant industry guidance, being made available to consumers from November 2009.

*Working arrangements between the FSA and the Office of Fair Trading:* a prerequisite of the success of the new regime will be a pragmatic and effective working relationship between the FSA and the OFT, not just in terms of strategy and policy, but also at operational level. We will be taking a close interest in how the two regulators work together. It is disappointing that this opportunity to reshape the current piecemeal regulatory landscape has not been taken.

*Principles-based regulation:* the Panel has been vocal in the past about what it feels were serious gaps in consumer protection under the current Banking Code. We feel that the FSA taking over regulation of retail banking provides an excellent opportunity to address these gaps, however we would not want to see any of the hard won consumer protection already offered by the Banking Code lost as a result of transfer of regulation to the FSA.

*Effectiveness of the new regime:* a post implementation review of the new regime is essential. We will be interested to see the proposed outcome measures, timing and delivery of the review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adam Phillips', with a long horizontal flourish extending to the right.

Adam Phillips  
Acting Chairman  
Financial Services Consumer Panel