

Financial Services Consumer Panel



Annual Report 2018/2019



An independent voice for consumers
of financial services

Who we are

The Financial Services Consumer Panel (the Panel) is a statutory body set up under the Financial Services and Markets Act. It:

- Is independent of the Financial Conduct Authority (FCA);
- Advises the FCA on how its strategy and policies affect UK consumers of financial services;
- Helps the FCA to improve its effectiveness in meeting its consumer protection and competition objectives;
- Looks at the impact of the wider regulatory landscape on consumers, including at EU level; and
- Commissions research to support its own independent projects.

Panel members are recruited through open competition. Areas of members' expertise include: consumer advocacy, law, economics, market research, financial services, public policy, communications and retirement planning.

What we do

Our main job is to advise the FCA. We also have a wider role in influencing financial services policy and legislation, whether this is generated by UK government departments, or the EU. These are our 'Business as Usual' activities, described in Chapter One. We also carry out some pro-active work, which is set out at the beginning of Chapter One. Our aim with these topics is to stimulate debate and influence policy in areas where there are risks for consumers that are not being addressed, or gaps in understanding of how financial services affect consumers.

How we do it

Panel Members meet twice a month – once in full Panel meetings and once in one of two Working Groups (except for the month of August). FCA staff regularly present to Panel and Working Group meetings and the Panel reports monthly to the FCA Board. We have responded to the FCA's request for more informal meetings, so that we can more easily inform the FCA's work at the earliest stages of project development. The Panel also works with a diverse range of stakeholders, is represented on ad hoc bodies in the UK and EU, and works with EU and international institutions and consumer groups. We use our small research budget to gather evidence to support our work.

More details of Panel members' activities during the year are at the end of this report.

How we measure our impact

Most of our impact is 'behind closed doors' – we are most useful to the FCA when the regulator involves us early in the development of policy. Sometimes we can trace a clear line from a Panel position to a new or changed policy, but the exercise is essentially subjective. Every two years we survey our stakeholders to understand what they think about the way we work and our influence.

www.fs-cp.org.uk

Contents

	Foreword by the Chair	1
Chapter 1	The Panel's work in 2018-2019	3
	1.1 Pro-active work	3
	1.2 'Business as usual' activities	7
	1.3 Publications, meetings and events	21
Chapter 2	The Panel's work in 2019-2020	22
Appendix 1:	Panel members	24
Appendix 2:	Expenditure	28
Appendix 3:	Meetings with external stakeholders	29
Appendix 4:	Panel Members' participation in events	32
Appendix 5:	Publications, research and responses to consultations	34
Appendix 6:	Panel members on other Bodies	37
	Terms of Reference	39



The Panel in March 2019.

For a list of the 2018-2019 Panel members see Appendix 1.



Foreword by the Chair

As the new Chair to the Financial Services Consumer Panel, it falls to me to write the foreword for this year's annual report. Despite not being Chair for the period covered by the report, it is clear from reading through it how much the Panel achieved over the last year. It also strikes me that so many of the issues the Panel faced last year will remain the same for the year ahead.

The Panel was very pleased to see the FCA publish its discussion paper on a duty of care, and we have engaged closely with both FCA colleagues and members of the other statutory Panels to work collaboratively on a workable solution that could suit all parties. This work is still ongoing. We acknowledge the challenge is not an easy one and look forward to continued engagement in the year ahead. Significant momentum has been gained in the discussions on developing a suitable way forward, and we hope all parties continue to engage closely and that Brexit, in particular, does not end up forcing a slower or longer timetable to this important piece of work.

The Citizens Advice 'super complaint' on the cost of consumer loyalty gave us an opportunity to repeat our long-standing view that it should not be the job of consumers to drive competition by switching products and services. We have commissioned our own research on 'automatic upgrades' – exploring the cost to consumers of staying in poorly performing products, versus the potential benefits of getting the best offer available from the firm they already contract with. We welcomed the FCA's fair pricing discussion paper, and, in our response we stressed again that we believe pricing issues are a matter of fairness.

We have engaged throughout the year on the development of the pensions dashboard and continue to be of the view that having a single view of their financial position could help consumers engage with their finances and help them plan for the future. We have urged the Department for Work and Pensions to ensure it sets out its success measures at the outset to ensure individuals' engagement increases, and not just the volume of savings.

FOREWORD BY THE CHAIR

Brexit was and still is a prominent feature of the financial services landscape, and dominated much of the Panel's thinking throughout the year. The Panel has engaged with the FCA teams throughout the year as they prepare for every eventuality including the UK leaving the EU without a deal. We have pressed for suitable and timely communications on how Brexit may impact consumers, and have supported the FCA's work in this regard.

I would particularly like to thank previous Chair Sue Lewis for her commitment and dedication to the Panel, and to current Panel member Mark Chidley for standing in as interim Chair from January 2019.

I look forward to continuing the work of the Panel, and to robustly challenging the FCA to always consider consumers in everything they do. I hope that as Chair of the Panel I can lead it to adding ever more value in championing the needs of consumers of financial services.

A handwritten signature in black ink, appearing to read 'Wanda Goldwag', with a stylized, flowing script.

Wanda Goldwag

July 2019

The Panel's work in 2018-2019

I.1 Pro-active work

Duty of Care

In 2018, the FCA published its Discussion Paper on a duty of care and potential alternative approaches. The Panel has long been an advocate of financial services firms owing a duty of care to their customers and this discussion paper brought the topic to the forefront.

Along with responding to the DP, the Panel also commissioned consumer research to find out about the experiences of individual and small business customers.

Much of the debate about a duty of care has so far centred on legalistic arguments as to whether there is a 'gap' in current consumer protections. The Panel believes that what matters is whether consumers are getting the treatment they want and expect from financial services providers. The consumer research found that fewer than 30% of those questioned felt their bank always acted in their interests when dealing with their money, with nearly 60% believing their bank actually acted in its own interest instead.

The Panel will continue to engage in the debate, and to press for a better balance between firm and consumer responsibilities.

In 2018-19 the Panel continued the work it started in 2017-18 on: how to tackle the **protection gap** in the protection insurance market; consumers and third parties use of **data**; and understanding the impact of **Brexit** on consumers, including what the post-regulatory framework might look like.

It also looked at a new project on **automatic upgrades**.

Protection Gap

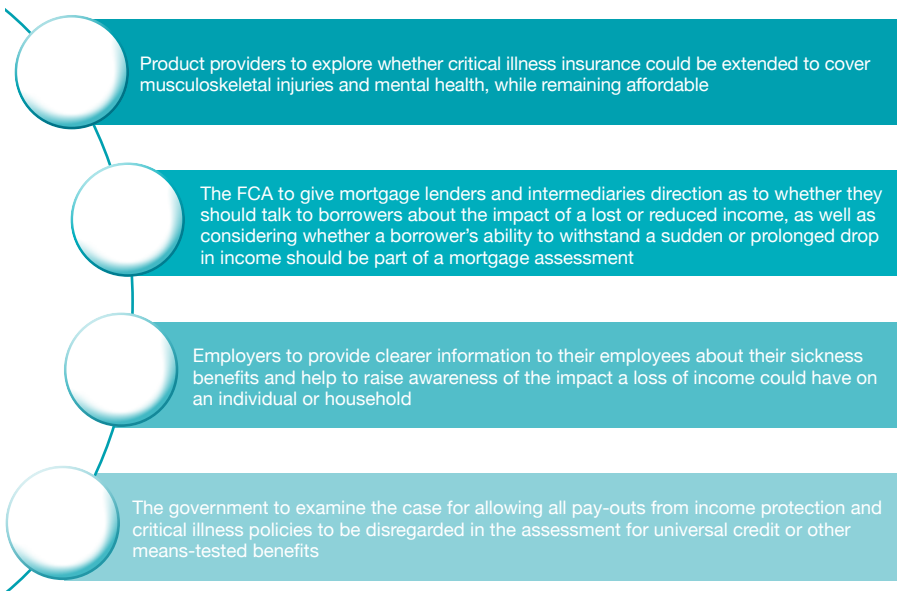
The so-called 'protection gap' has been debated and researched for many years; the findings of the FCA's Financial Lives survey prove the gap still exists. Two-thirds of adults have no protection cover at all, and over seven in ten have no life insurance¹.

¹ FCA Understanding the financial lives of UK adults: Findings from the 2017 Financial Lives Survey

Until now, the public policy focus has been on saving as a means to building resilience, rather than on encouraging people to think about how they manage and mitigate the risks they face in life.

It was against this background that the Panel commissioned Bdifferent to carry out research to understand why consumers buy, or don't buy, protection insurance and to identify what changes in the market could improve consumer outcomes. In particular, the Panel wanted to explore why critical illness products were more likely to be bought and sold than income protection. The research showed that the benefits of income protection are often hidden behind complex choices and caveats in the product small print, in contrast to critical illness products which seem easier for consumers to understand, with pre-defined conditions and one-off lump-sum payments bringing peace of mind for consumers.

In its discussion paper and subsequent workshop with stakeholders, the Panel called for:



Brexit

As the domestic debate about the impact of Brexit on financial services intensified, the Panel sought to ensure consumers were not left out. It highlighted the need for regulators, government and industry to ensure they take consumers' interests into account in a way that will provide long-term benefits for all, as well as raising concerns about the post-Brexit regulatory environment. In particular, the Panel questioned how financial services policy will be made post-Brexit and how the interests of consumers can be better integrated into decision-making across financial services.

The Panel held a stakeholder roundtable in June to discuss the consumer implications of EU withdrawal. The Panel called for better consumer engagement and for a proper review of the future regulatory framework was shared with stakeholders. The Panel has used this work to inform conversations with the FCA and HM Treasury, among others.

The Panel will continue to engage on all matters relating to EU withdrawal, with the aim of ensuring the potential impact on consumers remains at the heart of all negotiations and developments.

Data

As the world moves into a new era of financial data sharing, the Panel sought to find out what this means for consumers. It commissioned the London School of Economics to investigate how consumers who already use third party providers share their transactional financial data; whether they give informed consent; and their attitudes to data sharing.

The research found that people don't understand the value of their data; terms and conditions, even if read, don't inform consumers; and speed and convenience are valued more than privacy and security.



In its position paper, the Panel recommended:

All stakeholders	The FCA	Government
<ul style="list-style-type: none"> • Should work together to find an alternative to lengthy complex terms and conditions • Should work to facilitate genuine, informed consent 	<ul style="list-style-type: none"> • Ensures regulation keeps pace with technological advances • Should require all firms using consumers' payments data to have ethics committees • Should test possible mechanisms by which third party providers could tell consumers in real time when they plan to share or sell their data 	<ul style="list-style-type: none"> • Ramps up the resources and capabilities of the Information Commissioners Office to ensure effective supervision and enforcement of the General Data Protection Regulations. • Should appoint a consumer representative to the new Centre for Data Ethics and Innovation. • Should support the new Single Financial Guidance Body (SFGB) in leading a communications campaign to inform consumers about data sharing.

Automatic upgrades

The Panel has long argued for financial services firms to treat their customers more fairly. One way this might be achieved could be with a regulatory requirement to automatically move consumers holding poorly performing or poor value financial products onto better, comparable products within the company's suite of products. The Panel commissioned Europe Economics to explore whether this was feasible and if it was possible to estimate the cost to consumers of remaining with poorly performing products. The goal was to use the FCA's Financial Lives survey to develop customer profiles to represent a range of consumers, to help understand how a policy of automatic upgrades might affect different segments of the population.

The Panel intends to publish the research findings in Summer 2019. It hopes to use the findings in its work with the FCA on pricing practices, and also with the Competition and Markets Authority and Citizens Advice, in their work following the Citizens Advice super-complaint on the loyalty penalty.

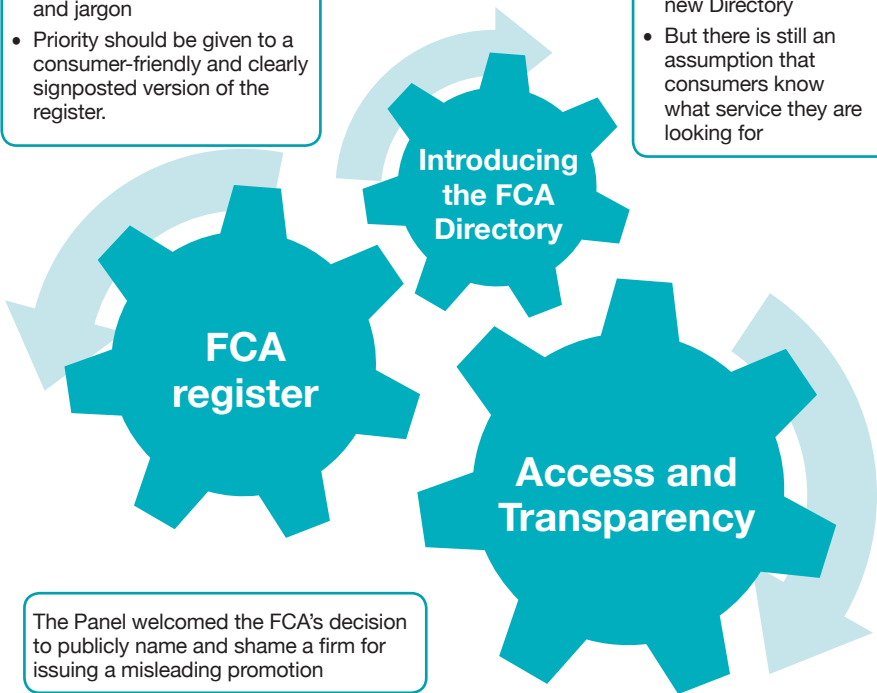
1.2 'Business as usual' activities

Cross-cutting issues

Access and transparency

- The Panel wants the register to be more accessible to consumers
- It should contain less complex terminology and jargon
- Priority should be given to a consumer-friendly and clearly signposted version of the register.

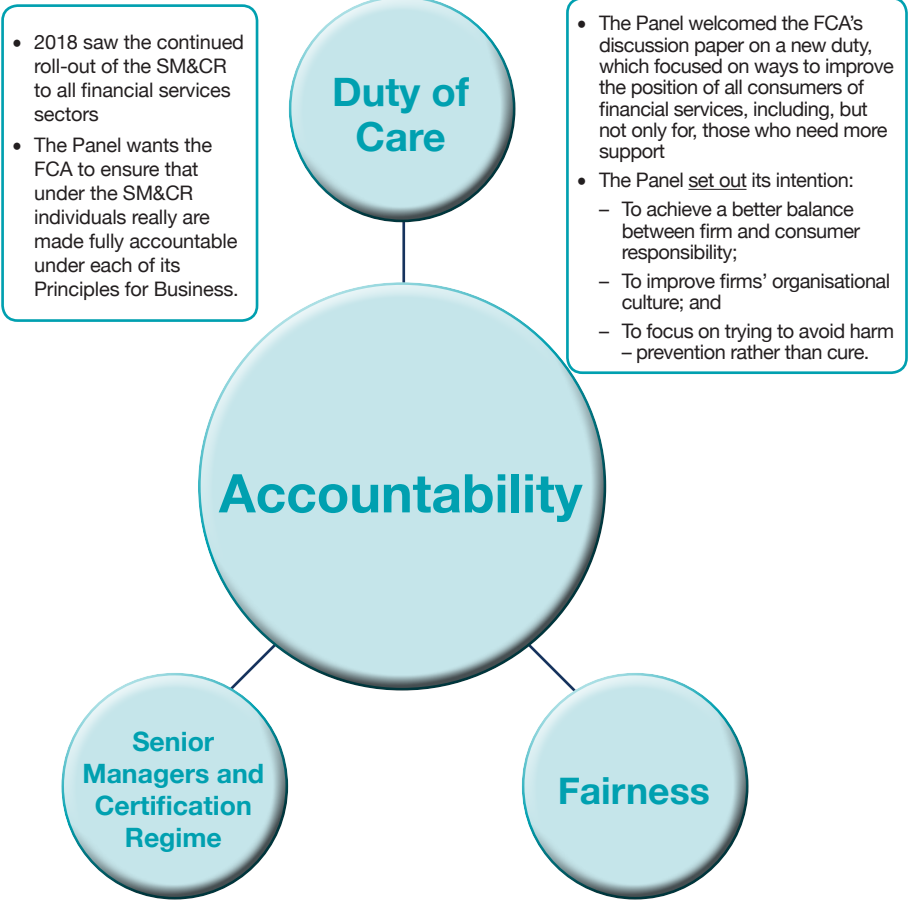
- In response to the FCA consultation on Introducing the Directory, the Panel welcomed the increased scope of the new Directory
- But there is still an assumption that consumers know what service they are looking for



The Panel welcomed the FCA's decision to publicly name and shame a firm for issuing a misleading promotion

- The Panel worked with the FCA to explore its approach to legal risk, to understand whether Section 348 of FSMA results in an overly-cautious approach meaning very little is known about the FCA's investigative work
- Such a lack of transparency is unlikely to have the desired deterrent effect.

Accountability



- 2018 saw the continued roll-out of the SM&CR to all financial services sectors
- The Panel wants the FCA to ensure that under the SM&CR individuals really are made fully accountable under each of its Principles for Business.

- The Panel welcomed the FCA's discussion paper on a new duty, which focused on ways to improve the position of all consumers of financial services, including, but not only for, those who need more support
- The Panel set out its intention:
 - To achieve a better balance between firm and consumer responsibility;
 - To improve firms' organisational culture; and
 - To focus on trying to avoid harm – prevention rather than cure.

- The Panel made many of the same points about fairness in its response to the Treasury Committee inquiry into consumers' access to financial services:
 - The Panel said that the FCA should, as a minimum, amend its Principles for Businesses to require all firms to act in consumers' best interests and manage conflicts of interest fairly to avoid consumer harm
 - The Panel also highlighted the gulf between literacy and numeracy levels in the population and those used in firms' communications with their customers.

Advice and Guidance

The Panel raised various concerns around pension guidance and the ease with which consumers are able to opt out of guidance, risking lower take-up of the guidance services and, in the longer term, poorer outcomes. The Panel urged the FCA to mandate for the opt-out process to be managed by the SFGGB, to ensure that opt-out decisions are not influenced by product providers and their commercial interests in a way that has negative implications for take-up and consumer outcomes.



Brexit

In addition to the Panel's project work on Brexit, covered above, it also engaged more broadly on EU initiatives and Brexit related issues. The Panel's primary concern is on ensuring relevant and clear consumer communications throughout the Brexit process, both on highlighting the risks and also the action that consumers need to take to protect their interests.

The FCA said, in its 2018/19 Business Plan, that the UK's decision to leave the European Union would continue to have a substantial impact. Brexit has dominated much of the commentary, and absorbed significant resources. The Panel continues to engage with all stakeholders, not just on the impact of Brexit on consumers, but also on what a future regulatory framework might look like post-Brexit, when legislation would no longer travel through the EU's scrutiny processes before becoming law.

The Panel continued to engage with consumer groups at the European level, notably the European Consumer Organisation, BEUC, of which the Panel is an affiliate member. The Panel also participated in the Investment Association's Post UK Funds Regime working group considering the post-Brexit landscape for UK funds.

While there was still some EU initiatives to be reviewed or implemented, such as the Payment Services Directive (PSD2) and the Packaged Retail and Insurance-based Investment Products regulation (PRIIPs), much of the focus was on proposed changes to the Handbook and Binding Technical Standards and the implementation of a Temporary Permissions Regime (TPR).

The Panel welcomed the FCA's proposals for a temporary permissions regime (TPR) as a good initiative, balancing the need to encourage applications with a requirement for firms to commit to UK standards that may be higher than those required by their own national authorities.

In internal discussions, the Panel's advice to the FCA has focused largely on consumer communications. Timing was a key issue - communicating too early may cause consumers to act unnecessarily; too late and there was potential for consumer harm. We urged the full regulatory family to work with trade associations and firms to ensure their messages were well-prepared, clear and consistent.

Fair Pricing

When the Panel engaged with the Competition and Markets Authority on the Citizens Advice Super-Complaint into the 'loyalty penalty', the Panel said that while it shared concerns about the widespread poor treatment of long-standing customers, too much emphasis was being placed on consumers driving competition by switching products and services, rather than on expecting firms to treat their long-standing customers fairly.

Switching will only help drive competition if consumers move away from high prices and poor service to better value products

The Panel highlighted its oft-stated view that an over-reliance on price comparison websites simply leads to consumers comparing products solely based on headline prices.

The Panel welcomed the FCA's Fair pricing discussion paper, and called for the FCA to take more robust and swift action against unfair pricing practices when they arise. It also welcomed the FCA's recognition that consumers incur search costs in lost time and effort when they have to shop, and that these should be taken into account.

Redress and compensation

During 2018 the FCA consulted on its proposals for regulation of claims management companies (CMCs) and for the Financial Ombudsman Service (FOS) remit to be extended to cover complaints made against them.

While the Panel has questioned the logic of this extension, given that many CMCs operate outside of financial services, nonetheless it was supportive of the FCA's overall approach and was keen to ensure that CMCs were subject to the FCA's Principles for Businesses, so that they can be held to account for treating customers fairly and communicating clearly with them.

Many consumers are unable, or unwilling, to navigate the complaints process themselves. They should be able to use a CMC to pursue a complaint should they

The Panel believes that consumers should be reimbursed for both authorised and unauthorised payment frauds, unless banks can prove customers have acted with gross negligence.

wish. We agreed that CMCs should have to disclose other options to the consumer, and stressed the importance for consumers to understand the implications of using a CMC (i.e. it may entail being charged, when they could otherwise complain for free).

In September 2018, the Panel responded to the FCA's consultation on extending the jurisdiction of the FOS to include authorised push payment fraud. The Panel was pleased to see the FOS take a similar stance. All payment fraud is fraud, and consumer protections should be the same regardless of the method used by the fraudster.

The Panel also highlighted a discrepancy in the amount of time firms have to deal with complaints. Across most of financial services there is a longstanding rule that firms have 8 weeks to deal with complaints before consumers have the right to take their case to the FOS. In crucial payment services, this period has recently been set much shorter, at 15 business days. The Panel welcomed this reduction, but also recommended that the 15 business-day timescale (with 35 business days for exceptional cases) should be applied to all financial services firms, especially in the context of the digitalised world we live in, where some financial services products can be purchased in minutes.

The Panel welcomed the increased award limit for the FOS, of £350,000, which will give many SMEs and individuals the protection they need. In its response to the award limit consultation, the Panel also encouraged the FCA to carry out a review, two years after implementation, of the volume, type and compensation value of the SME complaints brought to the FOS, and the effect of the increased limit on individual consumers.

The Panel monitored progress on the FCA's PPI complaints deadline and campaign. In its response to the FCA's September 2018 consultation, the Panel urged the FCA to require firms to automatically reassess any complaints which were rejected by firms because of commission non-disclosure. The FCA's decision to continue with a complaints-led approach was disappointing, and raised concerns about whether there could be a disproportionate impact on vulnerable consumers and groups with protected characteristics, who may be less likely to complain.

Small businesses as users of financial services

The Panel is concerned that many smaller business owners have the same financial needs as do individual consumers but are not afforded the same protections. Many run their business from their personal current account, or mortgage their home to raise finance for business purposes. In these circumstances, if a business folds, the debt will remain the responsibility of the individual. Due to the nature of the FCA perimeter around financial services for SMEs, many can find themselves with a business loan package that is an amalgam of regulated and unregulated products, but small business owners will rarely know what is regulated and what is not.



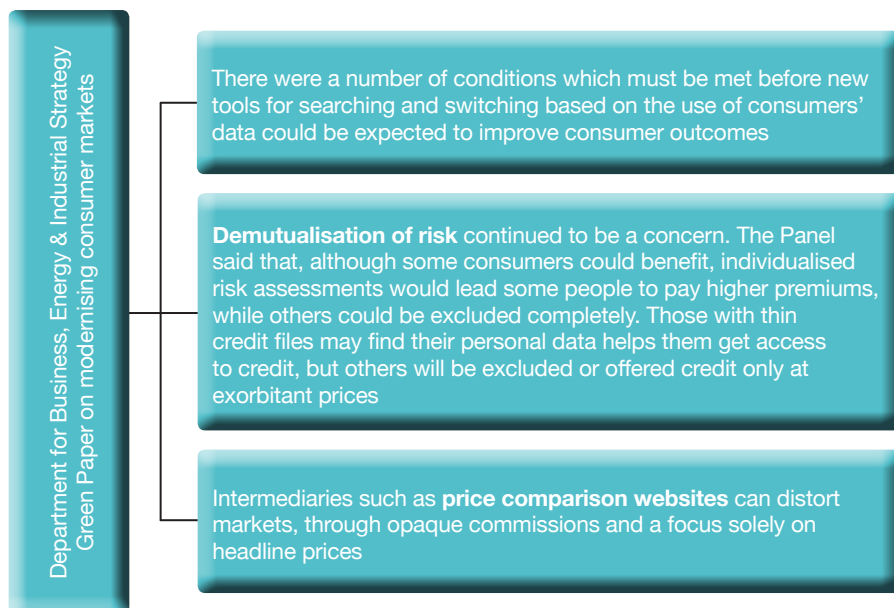
The Panel argued for the remit of the SFGB to include the self-employed and microbusinesses. And in its response to the FCA consultation on extending SME access to the FOS, while the Panel broadly welcomed the proposal, it reminded the FCA that it had been three years since the publication of its SME Discussion Paper which set out many problems SMEs can face when they use financial services. The Panel was disappointed that the FCA only sought to address one of the issues highlighted in that paper, noting that small businesses would continue to suffer harm as a result. The Panel also encouraged the FCA to carry out more in-depth analysis of the potential effects of increasing the FOS award limit to different SMEs using previous work, such as on interest-rate hedging products (IRHP). It said all SMEs should be eligible for access unless they have a specified individual responsible for financial matters, such as a finance director or employed accountant.

The Panel did, however, welcome in the FCA's strategic review of retail banking, the commitment to explore whether SMEs are well-served by retail banking offerings; whether retail banking models are adapting their service propositions to respond to the changing needs of SME businesses; and whether competition will improve outcomes for SMEs. The Panel looks forward to working with the FCA as it undertakes its exploratory work in these areas.

Technology and data

Having carried out research in early 2018 into consumers' attitude to data sharing and whether they give informed consent to third party providers to use their transactional financial data, the Panel was keen to engage with the Department for Business, Energy and Industrial Strategy Green Paper on modernising consumer markets. It covered many of the same issues facing consumers in a new era of financial data sharing.

In its response the Panel called on Government to consider oversight issues and ensure the interaction between the roles and responsibilities of regulators are clear and no gaps exist.



Operational Resilience

Following a number of high profile I.T. issues at firms, the Panel said in its response to the joint FCA and Bank of England consultation on building the UK financial sector's operational resilience that, while a zero failure regime is not achievable, the aim should be to minimise the impact on consumers. The Panel called for boards and senior management of financial services firms to base decisions on potential risks to consumers, rather than simply focusing on the probability of those risks materialising.

FCA Effectiveness

In discussions with the FCA, the Panel continued to push for it to set out more clearly what outcomes it seeks to achieve for each priority it sets. The Panel believes that public commitments on the outcomes it is seeking would enable the FCA to demonstrate accountability, transparency and value for money. Focusing on consumer outcomes from the outset will ensure the FCA can spend more time preventing harm, rather than having to address it after the event. The Panel will continue to work with the FCA to ensure that its outcome indicators are identified and agreed at the earliest stages of policy development.

Panel activities by sector

Consumer credit

As in previous years, the Panel continued to make the case for the FCA to adopt a holistic approach to the consumer credit market, and for it to set out a vision for what a well-functioning credit market would look like for consumers. It said that continuing to focus on high-cost credit in isolation risked missing wider unintended consequences that could lead to consumer harm as well as carrying risks of regulatory arbitrage.

The Panel also continued to discuss with the FCA its concerns regarding guarantor loans and the potential for consumer harm. The Panel sees this as an example of the water-bed effect, where action in other areas of high-cost credit has led to an increased take-up of a different product.



In the following areas, the Panel said:

High-cost credit review

- The FCA should take bold action where it had evidence of consumer harm
- There was evidence of poor practice among some newly authorised lenders
- The FCA should review its threshold conditions to ensure consumers were protected from irresponsible lending practices
- The FCA should review how well the authorisations gateway is working, especially where there are large volumes of applicant firms.

Overdrafts

- The FCA should examine firms' pricing strategies and ensure overdraft fees and charges weren't exploiting consumers in financial difficulty with charges that far exceeded the marginal cost
- The FCA's final package of proposals was welcome due to being simple, clearer and fairer

Treasury Select Committee's inquiry into access to financial services

- Access issues often evolve over time
- People who have previously been financially included can become marginalised or excluded, because their personal circumstances change, because of a change in the ways firms operate (e.g. insurance or credit underwriting) or because of wider trends such as digitalisation of financial services
- The gulf between consumers' literacy and numeracy levels and firms' communications was an example of how a duty of care could help everyone, including many vulnerable consumers, by forcing firms to take account of the needs of their customers

General insurance

The Panel has long urged the FCA to focus on supply-side behaviours to address consumer harm in the GI sector and not to over-rely on consumer behaviour and switching as a remedy. In its response to the FCA's fair pricing discussion paper, the Panel said that pricing issues are a matter of fairness, and that discriminatory pricing is a conduct issue as it represents a conflict of interest between different groups of consumers. The Panel called on the FCA to take more robust and swift action against unfair pricing practices wherever they arise.



In response to the FCA's General Insurance Pricing Practice Terms of Reference, the Panel urged the FCA to include:

The time required for consumers to find relevant information for making a product decision;

The needs of SMEs as consumers of financial services products; and

The entire value chain of product delivery (e.g. distributors, PCWs and other third-party intermediaries)

Mortgages

The Panel supported the FCA's vision for the mortgage market as set out in its mortgage market study interim report. However, it called on the FCA to do more to protect both current and future mortgage prisoners. Those borrowers unable to switch can be exploited and face paying higher prices, which the Panel believes demonstrates a market failure that has real implications for competition. Any consumer for whom there is a cheaper deal available with their current lender should be able to switch, whether or not they are in arrears. However, the Panel also reiterated its views that the FCA must recognise that the decision to switch is based on a number of factors, not simply a desire to reduce monthly repayments. Demand-side remedies are of limited effectiveness, and the FCA should consider whether more interventionist approaches may deliver better outcomes for disengaged consumers.

Payments

Much of the Payments focus in 2018 was on the introduction of open banking and the prevention of – and redress for – payment scams.

Against the background of Open Banking and continuing examples of the “leakage” of consumer data, the Panel looked at how consumers of existing services are asked for consent to share their transactional financial data; how people might make more informed choices about sharing those data; and whether they are adequately protected when they do share their data.



Pensions and retirement products

The Panel responded to the FCA’s work on its [Retirement Outcomes Review](#) and supported the idea of investment pathways. However, in the response, the Panel highlighted that the consumer journey to an active investment choice should fit into the wider decision-making process, so that consumers explore the full range of options available to them at retirement. The Panel believes that earlier and clearer wake-up packs should help, and that consumers should be defaulted into Pension Wise Guidance at the same point, unless they opt-out. The guidance session should include a discussion of objectives, so that consumers are clear on what they want to achieve, and how to find a provider.

Without independent guidance or advice, consumers will be vulnerable to providers promoting their own products. The Panel called for clearly presented options, free from jargon, to keep the process simple while increasing the chances of engaging consumers with how their money is invested.

In response to the Work and Pensions Committee's inquiry on pension costs and transparency, the Panel reiterated its long standing call for policy makers to consider the feasibility of a single investment management charge, to ensure all costs, charges and expenses are borne directly by the asset management firm and are reflected in a single charge to the investor.

The Panel also said:

Defined benefit to defined contributions (DB to DC) pension transfers – The Panel highlighted the need for guidance to be delivered by an independent and unbiased organisation, such as the SFGB.

Joint FCA & TPR Pension strategy – The Panel welcomed the opportunity to explore greater harmonisation of the objectives and cultures of the FCA and The Pensions Regulator, especially in light of pensions scandals such as British Steel, BHS and Carillion. The Panel highlighted the need for Independent Governance Committees (IGCs) and Trustee Boards to work to the same methodology when assessing good consumer outcomes and value for money in pension schemes.

Department for Work and Pensions **Pension Dashboard Feasibility Study** – it is vital that individuals can access a dashboard that is impartial and provides relevant information without sales. The Panel said that done well, a pensions dashboard could help people understand and take an interest in their pension saving. Finally, the Panel highlighted governance issues to be addressed, including accountability and integrity of verification processes.

Retail Banking

The Panel has enjoyed regular engagement with the FCA on its Strategic Review of Retail Banking Business Models. It welcomed the extensive analysis carried out and hopes the FCA now uses these findings to develop its ongoing monitoring of the market to ensure the review ultimately leads to improved consumer outcomes.

Savings and Investments

The Panel continued to engage with the ongoing implementation of the FCA's Asset Management Market Study remedies, including supporting the proposals for independent members on authorised fund boards to help assess value for money, and the proposals on calculation of performance fees. As well as taking part in the FCA's Fund Objectives Working Group, the Institutional Disclosure Working Group (IDWG) and the Investment Association's Investor Communications Working Group, the Panel also called on the FCA to take bolder steps to require firms to improve the quality of disclosures and information to help consumers make informed investment decisions, and to help retail investors make sense of the broad range of fund products on offer.

Sitting on the IDWG, the Panel discussed creating a template for Trustee Boards and IGCs to receive full disclosure of the costs and charges associated with the pension scheme(s) they govern. This led to the Costs and Transparency Initiative being set up in November 2018 to help implement the template across the asset management sector, increasing transparency for investors. Success will be measured against the take up of the templates by managers and pension fund trustees. The Panel is continuing this work through its participation on the PLSA CTI Board which will take the IDWG work forward including on trustee education and wider stakeholder engagement for use of the templates.



The Panel responded to the FCA's Investment Platforms Market Study interim report saying that there is an urgent need for innovation in the way costs and charges data are collected and presented to consumers, and to replace industry jargon on risk with something consumers will readily understand. The Panel welcomed the FCA's desire to help orphan clients and urged them to ensure that in the future, consumers are not paying advice fees through their platform without getting any advice.

When the FCA proposed a Basic Savings Rate (BSR) to address price discrimination in the cash savings market, between long-standing loyal customers left in 'superseded' or 'obsolete' accounts and new customers, the Panel welcomed the FCA's willingness to consider supply-side remedies. In response to the Discussion Paper, the Panel said that a BSR may result in banks offering better rates to long-standing customers. However, it may lead to loyal customers all being paid the same rate and virtually all consumers will have to switch every one of their savings accounts each year to receive the best rate on offer. The Panel urged the FCA to examine the options of a rule requiring banks to automatically upgrade consumers in superseded savings accounts, to limit the number of instant-access saving accounts and Cash ISAs which could be offered by a single provider or to bank price discrimination.

I.3 Publications, meetings and events



The Panel's work in 2019-2020

Some projects concluded during 2018/19, while others will roll over into the year ahead before reaching a conclusion.

The Panel expects its work on the introduction of a **duty of care** to remain a key priority for 2019. The FCA's discussion paper on the subject brought the topic to the forefront, and the Panel will continue to engage in the debate, pressing for a better balance between firm and consumer responsibilities. Over the last year the Panel has also worked together with the FCA Practitioner Panel and Smaller Business Practitioner Panel, looking in particular at specific examples of where a firm's conduct could be seen as being 'legal but not fair' to see how they may best be addressed. Members from these three Panels will continue with this work to help inform the FCA's deliberations going forward.

The Panel commissioned research to investigate the potential value of **automatic upgrades** for consumers holding poorly performing financial products. An automatic upgrade would mean that firms with customers in poorly performing products (e.g. with high costs and charges or low returns) would be required to move them into a better, comparable product, if one was available within the firm's offering. Among other things, the Panel wants to understand the likely financial detriment to consumers when they are trapped in poorly performing products.

The Panel will publish its findings and recommendations from this project in due course, and will use the findings to contribute to the ongoing work resulting from the [Citizens Advice Super Complaint](#) into the loyalty penalty paid by loyal consumers and also to the FCA's work on [fair pricing in financial services](#).

The FCA has identified **Brexit** as the biggest challenge it faces, noting in its 2019-20 Business Plan that "EU Withdrawal is the most significant change affecting financial services markets and will be our immediate priority". The Panel will continue to work with the FCA and other stakeholders to ensure the interests of consumers are a priority for all parties throughout the withdrawal process and beyond.

Some of the Panel's other projects are listed below.

Digital marketing

The Panel is concerned about the effect of firms' digital marketing strategies on consumer engagement with financial services and how some digital advertisements target specific segments of consumers or direct consumers to inappropriate products. The Panel intends to explore different consumer experiences in the digital marketing of certain types of products, such as retail investments and high-cost short-term credit.

Consumer debt

The Panel continues to be concerned about the levels of consumer over-indebtedness and the drivers of poor consumer outcomes in the consumer credit sector. The Panel aims to consider the extent to which the conduct of consumer credit firms contributes to over-indebtedness levels. It will also seek to identify the triggers of over-indebtedness to facilitate early intervention and prevent descent into unmanageable debt.

Appendix I: Panel members



Wanda Goldwag – Chair
Joined Panel on 1 March 2019

Attendance at full Panel meetings: 1/1
Attendance at Working Group meetings: 2/2²



Sue Lewis – Chair
Left the Panel on 31 December 2018

Attendance at full Panel meetings: 8/8
Attendance at Working Group meetings:³ 11/16⁴



Caroline Barr

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

2 Note: The Panel Chair is not a member of the Working Groups, other than the EU Working Group, but attends on an ad hoc basis as required.

3 ibid

4 Absent once due to other business on behalf of Consumer Panel



Mark Chidley

Acted as Interim Chair January – February

Attendance at full Panel meetings: 11/11

Attendance at Working Group meetings: 12/13



Sharon Collard

Attendance at full Panel meetings: 10/11

Attendance at Working Group meetings: 11/11



Dharshini David

Sabbatical from 1 Dec – 31 March

Attendance at full Panel meetings: 7/7

Attendance at Working Group meetings: 6/7



Teresa Fritz

Attendance at full Panel meetings: 10/11

Attendance at Working Group meetings: 11/11



Jennifer Genevieve

Attendance at full Panel meetings: 11/11

Attendance at Working Group meetings: 8/11



Dominic Lindley

Attendance at full Panel meetings: 10/11
Attendance at Working Group meetings: 10/11



Pamela Meadows

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 10/11



Francis McGee Joined the Panel on 1 May 2018

Attendance at full Panel meetings: 10/10
Attendance at Working Group Meetings: 10/10



Faith Reynolds Sabbatical from Panel October and November 2018

Attendance at full Panel meetings: 9/9
Attendance at Working Group meetings: 9/9



Keith Richards

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 7/11



Angela Roberts

Attendance at full Panel Meetings: 10/11

Attendance at Working Group Meetings: 10/11



Jeff Salway

Attendance at full Panel meetings: 11/11

Attendance at Working Group meetings: 10/11



Doug Taylor

Attendance at full Panel meetings: 11/11

Attendance at Working Group meetings: 11/11

Appendix 2: Expenditure

The FCA Board agrees a Budget for Panel members' fees, expenses and any consultancy or research work it commissions. The Panel is supported by a Secretariat of 5 FTE staff.

Actual expenditure in 2018-2019 was £439,000.

	Actual April 2016 – March 2017 (£000)	Actual April 2017 – March 2018 (£000)	Actual April 2018 – March 2019 (£000)
Panel Members' fees and expenses¹	287	307	289
Other Expenditure²	108	126	150
Total	395	433	439

1. The fees exclude employers' National Insurance Contributions paid by the FCA. The fees payable to Panel Members during the year from 1 April 2018 to 31 March 2019 were as follows:

Panel Chair	£60,000
Working Group Chairs (55 days)	£26,000
Members whose minimum commitment is 45 days a year	£18,000
Members whose minimum commitment is 32.5 days a year	£13,000

2. Other expenditure includes recruitment and research.

Appendix 3:

Meetings with external stakeholders

Between 1 April 2018 and 31 March 2019, members of the Financial Services Consumer Panel met with the following external bodies:

All Party Parliamentary Group on Wholesale Financial Markets & Services

Association of British Insurers

Association of Mortgage Intermediaries

Banking Standards Board

Barclays

Bdifferent

Better Finance

Bureau Européen des Unions de Consommateurs (BEUC)

British Mortgage & Protection Senate

Britain Thinks

British Friendly

Building Resilient Households Groups

Building Societies Association

Current Account Switching Service

Cambridge Building Society

Cambridge University

CARR consulting and communications

Centre for Social and Financial Innovation

Chartered Banker

The Chartered Insurance Institute

Citizens Advice

City UK

City & Financial Global

Civil Aviation Authority

Communications Consumer Panel

Competition & Markets Authority

Complaints Commissioner

APPENDIX 3: MEETINGS WITH EXTERNAL STAKEHOLDERS

Confederation of British Industry

Department for Business Energy & Industrial Strategy

Department for Work and Pensions

Fairbanking

Fairer Finance

Fidelity Investments

Finance Foundation

Finance Innovation Lab

Financial Inclusion

Financial Ombudsman Service

Financial Services Compensation Scheme

Gleneagles Advisory Board

Hargreaves Lansdown

HM Treasury

Members of the House of Commons

Members of the House of Lords

Investment & Life Assurance Group Ltd

Information Commissioner's Officer

Innovate for Ageing

Investment Association

J P Morgan

Just Retirement

Legal Services Consumer Panel

Lending Standards Board

LifeSearch

London and Country

LV

MacMillan Cancer Support

Money Advice Liaison Group

Money Advice Service

Moneyhub

National Audit Office

National Consumer Federation

Nat West

New City Agenda

Open Banking Implementation Entity

Organisation for Economic Co-operation and Development

Pensions and Lifetime Savings Association

Pensions Policy Institute

Personal Finance Society

Populus

RGA Re

Saffron Building Society

Single Financial Guidance Body

Social Market Foundation

Stepchange

Swiss Re

Tax Incentivised Savings Association

The Exeter

Transparency Taskforce

Treasury Select Committee

UK Finance

Visible Thread

West Brom Building Society

Which?

Zurich

Appendix 4: Panel Members' participation in events

April 2018

FCA AI and Machine Learning event – **Pam Meadows, Faith Reynolds, Jennifer Genevieve**

May 2018

National Consumer Congress: Brexit and Beyond: What's the Vision? – **Angela Roberts**

UK Personal Finance – **Pam Meadows**

UK Finance SME Banking Conference – **Mark Chidley**

June 2018

FCA Asset Management Conference – **Doug Taylor**

The Centre for the Study of Financial Innovation Round table on Culture vs Compliance – **Sue Lewis**

Financial Services Consumer Panel Brexit Roundtable – **Sue Lewis, Francis McGee, Faith Reynolds**

Pensions Policy Institute Roundtable on social attitudes – **Sue Lewis**

Investment Association Conference: Investment Management helping savers, society and the economy prosper – **Angela Roberts**

Financial Services Compensation Scheme Roundtable on Pensions, choices for retirement income & FSCS Protection – **Jennifer Genevieve**

New Payment Systems Operator Consumer Roundtable – **Pam Meadows**

July 2018

Competition & Markets Authority Symposium on Consumer Vulnerability – **Sharon Collard**

September 2018

The British Mortgage & Protection Senate: Why Income protection is not sold in the UK – **Teresa Fritz**

Personal Finance Society Pensions Advice Taskforce – **Sue Lewis**

Money Advice Workshop on developing simple advice for working age individuals – **Sue Lewis**

Investment Platforms Market Study Adviser Platform Roundtable – **Angela Roberts**

26th Pensions and Savings Symposium – **Sue Lewis**

Investment Platforms Market Study Adviser Platform Roundtable – **Jeff Salway**

FCA Future Retail Banking Scenarios Summit: Strategic Review of Retail Banking Business Models – **Dominic Lindley, Sue Lewis**

FCA Duty of Care Firm Event – **Caroline Barr**

Pensions Dashboard Summit – **Sue Lewis**

Tax Incentivised Savings Association conference on vulnerability – **Francis McGee**

Social Market Foundation roundtable: How can fintech encourage social inclusion –
Pam Meadows

October 2018

FCA and Competition & Markets Authority Network Conference – **Pam Meadows, Jennifer Genevieve, Caroline Barr**

New City Agenda/Financial Services Consumer Panel Duty of Care Event – **Sue Lewis, Caroline Barr, Mark Chidley, Dominic Lindley**

UK Finance: Vulnerability and Inclusion Conference – a shifting debate – **Sue Lewis**

FCA Cash Savings Market Event – **Dominic Lindley**

Open Pensions Event – **Doug Taylor**

Hargreaves Lansdown Roundtable with Guy Opperman MP – **Dominic Lindley**

November 2018

City & Financial Global: Brexit and Beyond Summit – **Francis McGee**

Transparency Taskforce Symposium: FCA Duty of Care Discussion Paper –
Caroline Barr

Money Advice Liaison Group Conference – **Mark Chidley and Dharshini David**

NatWest Trustee and Depository Services – Fund Management Industry Conference –
Angela Roberts

Financial Services Consumer Panel Workshop on Protection Gap Event –

Sharon Collard, Teresa Fritz, Pam Meadows, Angela Roberts, Jeff Salway

BEUC Financial Experts Meeting – **Pam Meadows**

UK Parliament: Access to banks and ATMs – **Pam Meadows**

FCA Techsprint Event in Edinburgh – **Jeff Salway, Angela Roberts**

January 2019

FCA Fair Pricing in Financial Services – **Dominic Lindley** on panel

FCA RegTech and Money and Mental Health Policy Institute Exploring Vulnerability
Through Data and AI – **Pam Meadows**

February 2019

BBC Moneybox Live on Open Banking – **Pam Meadows**

March 2019

Tax Incentivised Savings Association Vulnerability Working Party – **Francis McGee**

Appendix 5:

Publications, research and responses to consultations

Position Papers

April 2018 Consenting Adults? Consumers sharing their financial data

Discussion Papers

September 2018 Understanding the Protection Gap

Consultation responses

April 2018 CP18/3 Consultation on SME access to the Financial Ombudsman Service and feedback to DP15/7: SMEs as Users of Financial Services

April 2018 Response to the FCA's Discussion Paper on Effective Competition in non-workplace Pensions

May 2018 Improving the quality of pension transfer advice (CP 18/7)

June 2018 FCA Mission: Approach to Enforcement

June 2018 Regulating the Pensions and Retirement Income Sector: Our Strategic Approach

June 2018 FCA Mission: Approach to Supervision

July 2018 Modernising Consumer Markets: Consumer Green Paper

July 2018 Second consultation on remedies following the asset management market study

July 2018 CP18/9 Second consultation on remedies following the asset management market study

July 2018 Call for evidence on a Working-age money-management commissioning plan

August 2018 CP 18/11 Reviewing the Funding of the Financial Services Compensation Scheme (FSCS)

August 2018 Mortgages Market Study – Interim Report

August 2018 CP 18/15 Claims management: how we propose to regulate claims management companies

August 2018 Draft Guidelines on the conditions to be met to benefit from an exemption from contingency measures under Article 33(6) of Regulation (EU) 2018/389 (RTS on SCA and CSC)

August 2018 CP 18/17 Retirement Outcomes Review: Proposed changes to rules and guidance

August 2018 CP18/2 High-cost Credit Review: Consultation on rent-to-own, home-collected credit, catalogue credit and store cards, and alternatives to high-cost credit

August 2018	CP 18/13 High-cost Credit Review: Overdrafts
September 2018	CP 18/18 Guidance on regular premium PPI complaints and recurring non-disclosure of commission
September 2018	Work and Pensions Committee's inquiry on pension costs and transparency
September 2018	Consultation on the Centre for Data Ethics and Innovation
September 2018	Proposed changes to our rules and guidance – Retirement Outcome Review (CP18/17)
September 2018	Investment platforms market study interim
September 2018	Authorised push payment fraud – extending the jurisdiction of the Financial Ombudsman Service
September 2018	Access to Cash Review's call for evidence
October 2018	PRIPs Regulation Call for Input – initial experiences with the new requirements
October 2018	PRIPS Regulation Call for Input – initial experiences with the new requirements
October 2018	Building the UK financial sector's operation resilience
October 2018	Introduction to the Directory
October 2018	'Loyalty penalty' super-complaint
October 2018	CP18/25: Approach to final Regulatory Technical Standards and EBA guidelines under the revised Payment Services Directive (PSD2)
October 2018	CP 18/20: Loan Based ('peer-to-peer') and investment-based crowdfunding platforms: feedback on our post-implementation review and proposed changes to the regulatory framework
October 2018	DP 18/6: Price discrimination in the cash savings market
October 2018	CP 18/21: General standards and communication rules for the payment services and e-money sectors
November 2018	DP 18/7 Review of retained provisions of the Consumer Credit Act: Interim report
November 2018	DP 18/5 Discussion Paper on a duty of care and potential alternative approaches
November 2018	Response to the APP Scams Steering Group Draft Contingent Reimbursement Model Code Consultation Paper
December 2018	General Insurance (GI) Pricing Practices Terms of Reference (ToRs)
December 2018	Temporary permissions regime for inbound firms and funds CP 18/29
December 2018	CP 18/33 Regular Premium PPI complaints and recurring non-disclosure of commission – Feedback on CP 18/18, final guidance, and consultation on proposed mailing requirements
December 2018	Brexit proposed changes to the Handbook and Binding Technical Standards – first consultation 18/28
December 2018	Treasury Committee Inquiry on Consumers' Access to Financial Services

December 2018	Brexit proposed changes to the Handbook and Binding Technical Standards – second consultation CP18/36
December 2018	CP 18/31: Increasing the award limit for the Financial Ombudsman Service (FOS)
January 2019	CP18/35 rent to own and alternatives to high cost credit – feedback on CP18/22 and consultation on a price cap
January 2019	DWP’s Pension Dashboard Feasibility Report Consultation
January 2019	Breathing space scheme: consultation on a policy proposal
February 2019	Financial Ombudsman Service strategic plans and budget for 2019/2020
February 2019	DP 18/9: Fair Pricing in Financial Services
March 2019	CP 18/43 High Cost Credit Review Feedback on CP 18/12 with final rules and guidance and consultation on buy now pay later offers
March 2019	CP 18/42 High Cost Credit Review: Overdrafts Consultation Paper and Policy Statement

Appendix 6:

Panel Members on Other Bodies

Age UK Project Advisory Board

Teresa Fritz

Chartered Banker: Professional Standards Board

Sue Lewis

Financial Services Compensation Scheme Consumer Awareness Advisory Panel

Jennifer Genevieve

European Banking Authority Stakeholder Group

Dominic Lindley

European Insurance and Occupational Pensions Authority Insurance and Re-Insurance Stakeholder Group

Teresa Fritz

Fairbanking

Sue Lewis

FCA Broker Choice Working Group

Pam Meadows

FCA Consumer Network

Francis McGee

FCA Institution Disclosure Working Group

Angela Roberts

Financial Ombudsman Consumer Liaison Group

Jennifer Genevieve

Gleneagles Advisory Board

Sue Lewis

Investment Association: Costs & Charges Advisory Board

Teresa Fritz

Investment Association: Investor Communications Working Group

Sue Lewis

Investment Association: UK Funds Regime Working Group

Angela Roberts

Open Banking Entity Steering Group

Mark Chidley

Faith Reynolds

Payment Systems Regulator Panel

Pam Meadows

Payment Systems Regulator Authorised Push Payment Scams Working Group

Dominic Lindley, Faith Reynolds

Personal Finance Society Pensions Taskforce

Sue Lewis

Pensions and Lifetime Savings Association Cost Transparency Initiative Board

Angela Roberts

UK Finance: Consumer Advisory Group

Sue Lewis

Terms of Reference

1. The Financial Services Consumer Panel ('the Panel') was established by the Financial Conduct Authority ('FCA') under the Financial Services and Markets Act 2000 to represent the interests of consumers.

Scope

2. The Panel represents the interests of all groups of financial services consumers.
3. The Panel provides advice and challenge to the FCA on the extent to which the FCA's general policies and practices are consistent with its general duties, as required under the Financial Services and Markets Act 2000.
4. The Panel focuses on the FCA's strategic and operational objectives, together with the expectations on the FCA to discharge its general functions in a way which promotes competition in the interests of consumers and to have regard to the regulatory principles.
5. The Panel operates independently of the FCA. The emphasis of its work is on activities that are regulated by the FCA, although it may also look at the impact on consumers of activities that are not regulated but are related to the FCA's general duties.

Membership

6. The FCA Board appoints Panel members, with HM Treasury's approval required for the appointment or dismissal of the Chair.
7. The FCA may appoint to the Panel such consumers, or persons representing the interests of consumers, as it considers appropriate.
8. The FCA must secure that membership of the Panel is such as to give a fair degree of representation to those who are using, or are or may be contemplating using, services other than in connection with business carried on by them. Members of the Panel are recruited through a process of open competition and encompass a broad range of relevant expertise and experience. Panel members will normally serve a maximum of two three-year terms.

The Panel's Duties

9. The Panel will:

- 9.1 Meet regularly and be available for consultation by the FCA on specific high-level issues.
- 9.2 Be active in bringing to the attention of the FCA issues which are likely to be of significance to consumers.
- 9.3 Commission such research as it considers necessary in order to help it to fulfil its duties under these terms of reference.
- 9.4 Request access to information from the FCA which it reasonably requires to carry out its work.
- 9.5 Request regular access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.
- 9.6 Give the FCA sufficient prior warning of new consumer issues that the Panel is putting in the public domain ("no surprises").
- 9.7 Maintain the confidentiality of information provided to the Panel by the FCA.

FCA Duties

10. The FCA will:

- 10.1 Consult the Panel throughout its deliberations on policies and practices that have a consumer impact.
- 10.2 Consider representations made to it by the Consumer Panel, and must from time to time publish in such a manner as it thinks fit, responses to the representations.
- 10.3 Provide a secretariat to support the Panel to enable it to operate effectively.
- 10.4 Agree with the Panel an annual budget sufficient for the Panel to fulfil its duties under these terms of reference.
- 10.5 Provide the Panel with prompt access to all information which the Panel reasonably requires in order to fulfil its duties.
- 10.6 Give the Panel reasonable access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

10.7 Give sufficient prior notice of new consumer issues that the FCA is putting in the public domain (“no surprises”).

Accountability

11. The Panel will publish an annual report on its work, which will be presented to the FCA Board.
12. The Panel may speak out publicly when it wishes to draw attention to matters in the public interest.
13. The Panel will report informally on its work to HM Treasury and other stakeholders.



Financial Services Consumer Panel

12 Endeavour Square
London E20 1JN

Tel: +44 (0)20 7066 9346
e-mail: enquiries@fs-cp.org.uk
Website: www.fs-cp.org.uk