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Financial Conduct Authority  
12 Endeavour Square  
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14 April 2020

Dear Jonathan,

## **Financial Services Consumer Panel (the Panel)'s response to DP20/1: Transforming Culture in Financial Services – Driving Purposeful Culture**

The Panel welcomes the continued discussion and reflection on purposeful culture in financial services by way of this paper.

The Panel supports the FCA's call for firms to really consider and recognise the benefits to all firm stakeholders of having a culture that has purpose. Culture is the aggregate and outcome of behaviours throughout a firm and is multifactorial and long-term in nature. The Panel therefore believes that the FCA's continued focus on leadership, rewards and compensation, and governance within firms is the right approach to encouraging and driving the behaviours that will lead to appropriate cultures. As the FCA moves towards more outcomes-based regulation, the ability to monitor the key drivers of a firm's culture and to link those drivers to measurable activity and consumer outcomes becomes ever more critical – but is unlikely, on its own, to bring about cultural change in the immediate future.

The current coronavirus crisis has exposed the shortcomings of relying on firms to do the right thing for the consumer. Putting the consumer's needs at the heart of business by way of a duty of care will ensure that firms have a clear purpose in their efforts to build and maintain desirable cultural behaviours. Widespread evidence of banks refusing to provide loans to small businesses<sup>1</sup>, of insurance companies amending their terms and conditions or refusing to honour claims<sup>2</sup> and of some banks increasing mortgage rates after the Bank of England reduced the base rate<sup>3</sup> are stark reminders of the constant tensions between the interests of consumers, shareholders, and managers. It is only in the most challenging economic and financial circumstances that the substance behind mission statements, corporate values and similar is tested. This, alongside the increased consumer concern for ethical use of data, green investments and consideration of environmental, social and governance (ESG) matters, means that now is the right time for firms to be assessing the authenticity of their culture.

The Consumer Panel remains sceptical about whether "top down" programmes of cultural change will have the practical effect of altering ingrained behaviours and delivering better outcomes for consumers. The Senior Managers and Certification Regime (SMCR), although certainly a step in the right direction<sup>4</sup>, will not, and should not, be the sole impetus towards having a purposeful culture. Putting the consumers' needs first and

<sup>1</sup> <https://www.bbc.com/news/business-52126658>

<sup>2</sup> <https://www.theguardian.com/money/2020/mar/31/coronavirus-travel-insurance-policies-not-paying-out-in-a-crisis>

<sup>3</sup> <https://www.telegraph.co.uk/personal-banking/mortgages/banks-cash-coronavirus-increasing-mortgage-rates/>

<sup>4</sup> [https://www.fs-cp.org.uk/sites/default/files/fs\\_cp\\_response\\_smcr\\_extension\\_-\\_oct\\_2017.docx\\_0.pdf](https://www.fs-cp.org.uk/sites/default/files/fs_cp_response_smcr_extension_-_oct_2017.docx_0.pdf)

introducing a new duty of care are the actions most likely to truly transform culture in the financial services sector.

As always, the Panel is fully supportive of the FCA's initiatives and papers that challenge and encourage the industry's approach to firm culture and is pleased to participate in these important discussions. However, the Panel feel that it is supply-side regulation, particularly a duty of care, that will be the most effective in transforming firms' cultures for the benefit of consumers.

Yours sincerely

Wanda Goldwag

Chair, Financial Services Consumer Panel