

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Mark Mulford  
Incentives Team  
Specialist Supervision Division  
Financial Conduct Authority  
25 the North Colonnade  
London E14 5HS

14 May 2015

Dear Mark,

## **Guidance consultation 15/1: Risks to customers from performance management at firms**

This is the Financial Services Consumer Panel's response to the proposals outlined in GC15/1.

The Panel is pleased that the FCA shares our concerns about the implications of sales incentives, whether implied or expressed as hard sales targets. There is an obvious conflict between meeting sales targets and acting in the interest of customers. We also believe the report is right in saying that undue pressure on staff may be hidden. We agree that internal audit and monitoring of a range of internal indicators can help highlight poor practice.

However we are disappointed that so much of the emphasis appears only to be on sales staff. Mortgage brokers, staff in collections departments and loss adjusters for insurance firms, for example, can also have incentives which are in conflict with consumer interests and result in poor consumer outcomes.

It is also disappointing that the report makes little reference to SMEs as users of financial services. SMEs are rarely afforded the protection offered to individual consumers in terms of redress and compensation; and they are especially vulnerable to pressurised cross-selling of insurance products in tandem with the lending that is essential to their businesses.

The FCA Business Plan announced a "culture review" in retail and investment banks. This is welcome. The culture within all financial services firms should be one where good consumer outcomes drive performance management indicators. This would improve firms' management of both conduct of business risk, and their management of risk more widely. As the 2007-08 banking crisis demonstrated, mis-selling is not the only driver of consumer detriment.

We believe the FCA should expand its work, to ask whether good consumer outcomes are at the heart of all performance management strategies within firms. The treatment of SMEs deserves as much attention as that of individual consumers.

The Panel is proposing to examine banking culture from the perspective of retail consumers and SMEs, and we are particularly interested to understand the extent to which the needs of these customers are driving firms' culture change programmes. We look forward to engaging further with the FCA as its work in this area progresses.

Yours sincerely



Sue Lewis  
Chair  
Financial Services Consumer Panel