



The Money Charity Response – HM Treasury Financial Services Future Regulatory Framework Review (February 2022)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.¹

We welcome the opportunity to respond to HM Treasury’s financial services Future Regulatory Framework (FRF) review.

In this response, we set out our Key Points, make some overall comments on the issue then answer the questions posed in the Consultation Paper.

¹ See box on back page.

Key Points

1. Overall, we support the proposed framework.
2. However, we are not convinced by the argument for adding a “competitiveness” objective.
3. We would like to see a “have regard” to financial inclusion introduced for the FCA. More broadly, we recommend that Financial Inclusion, Financial Resilience and Wellbeing and Financial Capability be explicitly part of the policy framework for financial regulation.

Overall Comments

As a Financial Capability and Wellbeing charity, we urge HMT to introduce a “must have regard” to financial inclusion for the FCA. While most UK residents have reasonable access to financial services, there exists a significant proportion who remain excluded from accessing these. For example:

- 1.2 million UK adults do not have a bank account (either a current account or an alternative e-money account). At the time this research was carried out, this equated to 2.3% of the UK adult population.
- 5.4 million UK adults rely on cash to a very great extent, and 1.2 million UK adults use cash exclusively.
- 1.5 million UK households do not have internet access. This includes 18% of households with members aged 65 and over.
- Low-income households in the UK pay a ‘poverty premium’ in buying their goods and services of £490 per year. The poverty premium is the extra amount people on low incomes pay from not being able to access the best deals.
- Around 7.8 million UK adults either choose not to access credit or do not have access to credit.²

The issues relating to financial inclusion set out here arise from a range of complex social factors. As we argued in our previous consultation response to the Future Regulatory Framework review, financial services policy should aim to tackle these issues by introducing a “have regard” to financial inclusion for the FCA. Ideally, this would mean that financial services regulation would have a positive and proactive duty towards financial inclusion.

² The Money Charity, *The Money Statistics January 2022*, page 17.

We would also like to see a similar focus in financial services regulation on the issues of Financial Resilience, Capability, and Wellbeing. As we set out in our previous response, a duty promoting these issues could be imagined as follows:

“The ultimate reason for financial services and the purpose of financial services regulation is to improve human wellbeing within a sustainable natural environment. In carrying out their statutory duties, regulators should develop the tools to identify and measure the effects of the regulations they apply on wellbeing, and design regulations to maximise human wellbeing within a sustainable natural environment.”

Similarly, we would like to see specific policy goals that promote financial capability by:

(a) Ensuring that information about financial services and products is presented to consumers in clear, understandable, fair and balanced ways, so that consumers understand what they are buying and the accompanying risks and costs.

(b) Ensuring that financial services, products and marketing assist consumers to behave in financially capable ways (rather than the opposite). The grain of financial service offers should lead towards good budgeting, saving and spending decisions, and away from unmanageable debt, high financial stress and personal insolvency.

Our work as a charity involves delivering Financial Education to school pupils, students, employees, self-employed and community groups such as refugees, social housing tenants and ex-offenders. We teach the basics of budgeting and spending, managing different types of credit and how people relate to money emotionally and psychologically (which is where problems often arise). However, educational workshops cannot offset the pressures arising from adverse product design and weak regulation. Along with others working in this space, we need help from Parliament, HMT and the regulators to make sure that financial services lean in the same direction we do, towards responsible and sensible financial management, and not towards excessive debt, loose budgets and personal insolvency.

In this sense, we welcome the current regulatory review, with its emphasis on parliament setting policy and regulatory targets for each financial services sector. We hope that Government and Parliament fully take this opportunity to put in place a framework that helps improve the Financial Capability, wellbeing and inclusion of all people in the UK.

Answers to consultation questions

Question 1: Do you agree with the government’s approach to add new growth and international competitiveness secondary objectives for the PRA and the FCA?

We are not convinced by the argument for adding a “competitiveness” objective for the PRA and FCA. In our previous consultation response, we expressed concern that there can be two ways of thinking about competitiveness. The first way is positive, centering on innovation and improved design. This leads to better consumer service. The second way is a negative one and relies on reducing regulation and redistributing income to shareholders and executives at the expense of consumers and employees. We hope that advocating for a “competitiveness” objective would mean the former, but there is a real risk that it means the latter.

Furthermore, there is a risk that a new competitiveness objective waters down or conflicts with the FCA’s consumer protection objectives which we believe must be paramount. A duty to promote competitiveness may place regulators in a dangerous race to the bottom, competing with other international regulators for the most competitive regulatory framework. In 2019 Andrew Bailey (then CEO of the FCA) said the regulator “was required to consider the UK’s competitiveness, and it didn’t end well, for anyone”.

Question 2: Do you agree that the regulatory principle for sustainable growth should be updated to reference climate change and a net zero economy?

We agree that the government’s commitment to tackling climate change is important, therefore we support the proposal to update regulatory principles to reference climate change and a net zero economy.

Question 3: Do you agree that the proposed power for HM Treasury to require the regulators to review their rules offers an appropriate mechanism to review rules when necessary?

We support the view that following the UK’s departure from the EU, giving greater responsibilities to regulators should be balanced with effective policy input and appropriate accountability to government. The government’s proposed method for achieving this, by focusing on rulemaking as a specific area of regulators’ responsibilities where the relationship with HM Treasury needs strengthening, is suitable. We agree that the proposed power for HMT to require the regulators to review their rules offers an appropriate mechanism to review rules when necessary.

Question 4: Do you agree with the proposed approach to resolve the interaction between the regulators' responsibilities under FSMA and the government's overseas arrangements and agreements?

No comment.

Question 5: Do you agree that these measures require the regulators to provide the necessary information to Parliament on an appropriate statutory basis to conduct its scrutiny?

We agree with the importance and value of Parliamentary accountability and scrutiny of the regulators. We believe that the measures set out here (requiring the FCA and the PRA to notify the relevant Parliamentary committee when they publish a consultation on any matter, and to require the regulators to respond in writing to formal responses to statutory consultations from Parliamentary committees) are appropriate.

Question 6: Do you agree with the proposals to strengthen the roles of the panels in providing important and diverse stakeholder input into the development of policy and regulation?

We support the proposals to require that the LAAP and PRA Practitioner Panel's insurance subcommittee be placed on a statutory footing, to require the regulators to publish information on their engagement with the panels and to require the regulators to each maintain statements on their processes for appointing members to panels. We agree that these proposals will strengthen the roles of the panels.

We think more should be done to make the Consumer Panel truly representative of consumers including those who are vulnerable. Thought needs to be given as to how to move the Panel membership beyond consultants and consumer representatives to the consumer voice itself.

Question 7: Do you agree that the proposed requirement for regulators to publish and maintain frameworks for CBA provides improved transparency for stakeholders?

No comment.

Question 8: Should the role of the new CBA Panel be to provide pre-publication comment on CBA, or to provide review of CBA post-publication?

No comment.

Question 9: Do you agree that the proposed requirement for regulators to publish and maintain frameworks for how the regulators review their rules provides improved transparency to stakeholders?

We agree that an established review process will bring many benefits to stakeholders. Therefore, we support the proposal for a new statutory requirement for the PRA and the FCA to publish and maintain a framework for how they conduct rule reviews.

Question 10: Do you agree with the government's proposal to establish a new Designated Activities Regime to regulate certain activities outside the RAO?

No comment.

Question 11: Do you agree with the government's proposal for HM Treasury to have the ability to apply "have regards" and to place obligations on the regulators to make rules in relation to specific areas of regulation?

We support the proposal for HMT to have the ability to apply "have regards" for specific areas of regulation. As a Financial Wellbeing and Capability charity, we suggest that the FCA needs a clearer statutory remit with regard to financial inclusion and support the idea of the introduction of a have regard to financial inclusion. Please refer to the overall comments section for our views on financial inclusion and other issues that we believe would benefit from a more specific regulatory focus.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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