The **Financial Inclusion** and **Markets Centre**

Promoting finance that works for the economy, environment, and society

FCA/FOS Consultation

CP25/22 Modernising the Redress System

Submission by the Financial inclusion and Markets Centre (FIMC)

About The Financial Inclusion and Markets Centre

The Financial Inclusion and Markets Centre is a dedicated unit of the Financial Inclusion Centre which focuses on financial services policy and regulation, financial market reform, and evaluating the economic, environmental, and social utility of finance. The new unit also covers work evaluating the impact of developments at the intersection of finance and technology including AI.[1]

[1] About | The Financial Inclusion Centre

Introduction

We are pleased to submit a response to such an important consultation. For further information, please contact Mick McAteer mick.mcateer@inclusioncentre.org.uk

Summary of our submission

- We support the goals of ensuring that consumer harm is identified and addressed more effectively, and consumers get access to redress more swiftly. But, we are very concerned about the potential impact of the proposals in the consultations produced by HMT and FCA/FOS. The combined effect of the proposals is likely to weaken consumer protection and undermine the ability of consumers to obtain due redress.
- Unless robust governance measures and safeguards are added, the key proposals in the consultations on the fair and reasonableness test, wider implications issues, and mass redress events, and referral mechanisms would give firms and industry lobbies greater opportunities to: i. delay consumer access to redress and/or reduce firms' liability for redress, and ii. influence the direction of financial services policy and regulation eg. on the interpretation of the FCA's Consumer Duty.
- The overall proposals would undermine the operational independence of FOS. Specifically, adapting the fair and reasonable test would bring FOS closer within the FCA's orbit. This would undermine the concept of an Ombudsman service being separate from regulators and making independent decisions, an important safeguard for consumers.
- The governance arrangements for mass redress events and wider implications issues are weak and would allow industry lobbies to influence outcomes to the advantage of firms and to the disadvantage of consumers. The proposals could lead to situations where the FCA/FOS is pressured to limit consumers' rights to redress to protect the industry. Worryingly, the FCA has already signalled, in the case of motor finance redress, that it is willing to limit consumers' access to redress to protect the finance sector.[2]
- The impact of the proposals would not be limited to consumers rights to redress. The proposals could be a Trojan Horse to allow industry to influence consumer protection policy. A core feature of the FCA's flagship Consumer Duty is that firms have significant discretion as to how to interpret the Duty outcomes.[3] It is easy to envisage situations where there are differences of opinion on the intention of a particular Duty outcome and firms pressuring the FCA/FOS to activate the referral process to obtain favourable 'clarifications'. Even if the FCA/FOS held firm and protected consumers, these proposals would obviously provide industry lobbies and individual firms with the opportunity to delay and undermine enforcement action and access to redress by invoking the referral process and tying up the FCA/FOS in disputes.

[2] See: https://www.ft.com/content/e12010f4-8af8-4443-9e21-6575438bf58a?shareType=nongift

[3] Industry lobbies have complained about overly prescriptive rules and now they complain about rules not being prescriptive enough and too open to interpretation.

- FCA/FOS have limited resources. The current proposals could create opportunities for industry lobbies and individual firms to mount regular challenges to the FCA/FOS causing them to divert resources from pursuing core consumer protection and redress objectives.
- Remember that finance industry lobbies already exercise significant influence over financial services policy and regulatory policy. Compared to civil society the finance industry: dominates working groups/task forces while civil society is hugely underrepresented; has the resources to contribute significantly more responses to government and regulator consultations; and has far more meetings with senior policymakers and regulators. Regulated firms are also protected by commercial confidentiality provisions in legislation undermining transparency and accountability.
- Currently, six of the seven FOS board directors have current or previous direct links to the financial services industry.[4] Excluding the CEO, the FCA board has 12 members. Seven have current or previous links to financial services. One is a regulator (PRA), and one is an academic. Only three are recognised consumer/public interest representatives.[5] Moreover, there are three industry panels compared to one consumer panel.[6] This is not intended as a criticism of those individuals with links to financial services, it is to highlight the serious imbalance in representation at decision making level.
- Overall, the proposals in CP25-22 and HMT's consultation would further strengthen the influence of industry lobbies in the regulatory system to the detriment of consumers.
- The potential impact of the proposals cannot be considered in isolation. A number of deregulatory and 'market supporting' initiatives are currently in train to support the finance sector growth and competitiveness agenda. What was supposed to be a secondary growth and competitiveness objective is becoming a *de facto* primary objective.
- Worryingly, the consultation documents repeat industry narratives that the current redress regime 'suppresses investment and innovation due to concerns about potential future redress', that FOS 'acts as a quasi-regulator', and 'FOS retrospectively applies different rules and standards'. Yet, HMT/FCA/FOS provides no evidence nor reasoning to back up these claims.
- Weakening consumer protection and access to redress might give the finance sector a short term fillip. It might encourage firms to 'innovate' and sell more products in the expectation of reduced redress bills for poor consumer outcomes. This is short-termist thinking and would undermine consumer trust and confidence in the longer term.
- Overall, we think HMT/FCA/FOS has not properly considered the potential for these proposals to allow the industry to: disrupt the ability of consumers to obtain due redress; and adversely influence regulatory policy.

[4] Our Board of Directors – Financial Ombudsman service
[5] FCA Board | FCA
[6] Panels | FCA

Response to specific questions

Question 1: Do you agree with the proposed criteria for considering whether an issue is a mass redress event?

A new MRE framework should have two primary purposes, to ensure that:

- Significant episodes of consumer detriment are dealt with effectively and the consumers affected obtain due redress in the most efficient way. The potential impact on the industry/sectors/firms responsible for that detriment should be a secondary consideration.
- The FCA learns lessons and enhances its supervision of the finance sector.

The proposed criteria suggested are where an issue:

a. Affects a high number of consumers.
b. Has a significant impact on individual consumers, including those in vulnerable circumstances.
c. Is likely to lead to a high redress bill.
d. Results in a significant number of firms being unable to meet their redress liabilities.
e. Leads to a high number of Financial Ombudsman complaints.
f. Driven by a systemic/repeatable failing that damages confidence in the financial system.

There is the obvious risk that the industry and specific firms will be able to use the proposed criteria to undermine access to redress and reduce redress liabilities by playing up or exaggerating the impact on the industry.

We would argue that if the FCA intends to use these criteria these should be grouped into two categories – primary and secondary. The primary categories, the most important ones, are a and b. These should be used to determine whether a MRE event has occurred.

The inclusion of the other criteria suggest that the FCA would be willing to consider 'going easy' on firms responsible for detriment to protect the interests of industry. If a MRE leads to a high number of FOS complaints and a high redress bill, then so be it. That is a consequence of industry behaviours. It is deeply concerning that with motor finance misselling, the FCA appeared to prejudge the outcome and made it clear that it would want to limit the redress paid to affected consumers.[7]

[7] See: https://www.ft.com/content/e12010f4-8af8-4443-9e21-6575438bf58a?shareType=nongift

We would argue that criteria c,d,e, and f should be used as secondary criteria. They should not influence the decision to launch a MRE to optimise the due redress for consumers affected by criteria a and b or be used to limit the scope or ambition of any MRE.

However, c,d,e, and f should be used to determine how any MRE is established and operated, and to understand potential consequences which HMT/FCA need to manage. If HMT/FCA are concerned that a MRE might lead to a significant disruption in the market then, of course, they should plan for the consequences.

For example, if a number of key firms in a sector go out of business then HMT/FCA should establish special arrangements to ensure services are maintained. If HMT/FCA are concerned that firms leaving a market might affect choice and competition, then this could be directly addressed by the FCA deploying robust regulation to ensure remaining firms do not exploit the lack of competition.

If HMT/FCA are concerned that a MRE might lead to a significant number of firms being unable to meet their redress liabilities, this also raises the question of whether the FSCS levy is set at the right level, or the FSCS is structured in the most effective way, to ensure that consumers are protected from the consequences of firms failing due to having to meet their redress liabilities.

It is unclear how the FCA intends to use Criterion f. 'Driven by a systemic/repeatable failing that damages confidence in the financial system' in this new regime. If the FCA uses it to identify MREs that are caused by systemic/repeatable failings and this causes the FCA to revise the rules, deploy tougher supervision, and apply sanctions to the firms responsible for the systemic/repeatable failings, then that would be a positive use of this criterion.

But, if the FCA (under pressure from government and industry) considers that a response to a MRE needs to limited to avoid damaging confidence in the finance sector, then this would clearly be a cause for concern. This is now a very live concern due to the secondary growth and competitiveness objective which is becoming a *de facto* primary objective.

A MRE according to these criteria could arise in two sets of circumstances. Either the behaviour of firms affects a large number of consumers (across and/or within sectors) or it causes significant harm to smaller groups particularly vulnerable consumers. The FCA seems to be placing a great deal of trust in firms to proactively identify and respond appropriately to a potential MRE.

A primary driver of a potential MRE could be firms across a sector selling a particular product failing to comply with the Duty outcomes. Yet, if firms are able to use different and inconsistent approaches to assess compliance with the Duty outcomes, this will make it difficult to identify sector wide detriment and therefore potential MREs.

The decision to remove the requirement of firms to have a Consumer Duty Champion was unfortunate. The champion could have mitigated the risk that firms' senior management try to downplay or conceal MREs and helped ensure firms behave responsibly.

If firms are to be proactive about identifying potential MREs and respond appropriately, they will need to be left in no doubt that the FCA will closely scrutinise how firms respond to MREs and use meaningful sanctions when firms do not act in good faith.

If we want to see a more effective end-to-end redress system that deals effectively with MREs, the FCA and FOS will need to develop enhanced arrangements to: i. identify potential areas of disagreement and to reach agreed positions as early as possible in any process; and ii. oversee the process.

We appreciate that there is an existing Wider Implications Framework. But, the combination of the proposed redress reforms would provide industry lobbies and specific firms with opportunities to disrupt the redress process and exercise even greater influence on regulatory policy. Improvements to governance are needed to counter the influence of the industry and specifically the effect of the growth and competitiveness objective which has now become a *de facto* primary objective.

We propose that the FCA create an advisory panel consisting of consumer and other public interest representatives (for example, legal experts and academics). The purpose of this panel would be to help the FCA/FOS deal effectively and objectively with issues that have potentially wider implications, MREs, the formal referral mechanism, and cases that may be referred to the courts. The Panel would:

- assess evidence of emerging harm that might have wider implications and signal a potential MRE;
- recommend the appropriate approach for considering whether a potential MRE should be considered as an actual MRE;
- recommend to the FCA/FOS whether a potential MRE should be treated as such;
- evaluate whether the regulatory approach used in the MRE process would result in less positive outcomes for consumers than the fair and reasonable test currently used by the FOS;
- recommend the appropriate approach to detriment events that have been established as a MRE;
- identify potential areas of disagreement on issues such as the interpretation of the Consumer Duty outcomes;
- advise FOS on whether a formal referral to the FCA on specific issues would be beneficial for consumers;
- advise on the implications of the FCA's interpretation of issues for FOS subsequent determination of complaints; and
- advise on the merits and demerits of referring cases to the courts.

The MRE panel should be able to publish its recommendations. This panel would not undermine the FCA's overall control over the process but it would allow civil society to

counter, to some degree at least, the industry influence and provide some transparency over the process.

Question 2: Do you agree with the guidance provided in Annex 4 of this consultation paper, for how firms can proactively identify and rectify potential issues?

We have a number of suggestions on the guidance.

Para 40. says that firms will need to decide *if* it is appropriate to inform the FCA about the identified issue. This allows firms too much discretion. Firms should be *required* to inform the FCA and the proposed advisory panel, see above.

Para 43. says that if firms identify systemic or recurring problems, or that retail customers have suffered foreseeable harm, then firms must take appropriate action to rectify the situation and that this *may* include undertaking a redress exercise. The FCA should make it clear that if customers have suffered harm that was foreseeable, or was not foreseeable but arose as a result of negligence, then firms *must* undertake a redress exercise.

Para 47. says that in other cases, firms *may* also decide, based on reasonable evidence, that a redress exercise is not required to resolve an issue and in such cases firms *may*, for example, decide that it is appropriate to address the issue through complaints, as and when a customer makes one. This allows firms too much discretion to minimise redress. Firms should be *required* to report to the FCA and the advisory panel and justify why it is proposing not to use a redress exercise and obtain approval for that decision. Where the issue is addressed through complaints firms should be *required* to proactively contact affected consumers and report to the FCA and advisory panel on progress.

With regards to opting in or opting out of redress schemes, opt out as the default should be mandated by the FCA.

With regards to calculating redress, firms should be *required* to notify the FCA and the proposed panel how it has assessed and calculated the redress.

Para 58. says that firms *may* also want to consider if the customer has experienced any additional distress or inconvenience because of the harm. Firms should be *required* to consider additional distress or inconvenience.

With regards to communication plans, firms should be required to develop one and produce evidence to the FCA of having tested the plan. FCA should make it clear to the industry that that it will consider communication plans as part of its supervision of MREs.

Para 76. says that firms *may* want to consider how customers may challenge their decision after they have been contacted. Firms should be *required* to consider how consumers can challenge the decision. Firms should be *required* to inform consumers of their right to refer their case to FOS with contact details.

The FCA should also *require* firms to nominate a senior person in a firm to be responsible for ensuring that the response to a MRE is handled properly. This senior person should be required to include the opinions of an independent consumer advocate on whether the firm is responding properly. This nominated senior person should be required to: report to the FCA on how the firm is responding to a MRE; and produce a true and fair opinion report on the firm's handing of a MRE for publication in the firm's annual report knowing that withholding or partially disclosing information to the FCA or the public will have consequences.

Question 3: Do you agree with the additional guidance proposed at SUP 15.3.8G for when firms are expected to report serious redress risks or issues to the FCA?

Criterion A, in para 4.22, refers to an issue which 'Affects a high number of consumers (>40% of the firm's consumers from the affected product line or service)'. We think this is too low a bar for requiring firms to report to the FCA on failures of systems and controls.

A 20% threshold would be more appropriate. Even if 'just' 20% of a firm's consumers from an affected product line or service have experienced detriment, this would be an indication of serious problems within a firm. That would represent one in five of the target customer base. Would this standard of behaviour be tolerated in other consumer sectors?

Moreover, a particular product line or service (or the way these are sold) may cause significant harm to a relatively small proportionate of the customer base but who are vulnerable. So, such a high threshold may result in vulnerable consumers being missed out. Therefore, we argue that an additional criterion be included to specifically cover vulnerable customers. So, this might be phrased as 'Affects a high number of vulnerable consumers (defined as >20% of consumers from the affected product line or service categorised as vulnerable).

Question 4: Do you support the introduction of a 'lead complaints' process to address novel and significant complaint issues?

Question 5: Do you think that the lead complaints process will achieve its intended benefits?

The Financial Ombudsman proposes to introduce a structured 'lead complaints' process to actively address novel and significant complaint issues as they emerge, working collaboratively with *firms* [our emphasis] and the FCA to resolve these emerging issues efficiently.

The lead complaints proposal is risky. It will create opportunities for firms and industry lobbies to either tie up the FCA/FOS in challenges so delaying complaint resolution or affect the outcome so reducing the potential liability for redress.

It is too early to consider to what degree the lead complaints process might result in suboptimal outcomes for consumers until we see more detail on how FOS would handle lead complaints and the governance of the process.

However, a number of weaknesses in the process outlined are already obvious. For example, para 5.10 says that under the proposed model, firms would be able to apply for the Financial Ombudsman to consider a *representative sample* of lead complaints. There is a clear risk that firms could game the system by submitting a sample to FOS that is designed to deliver a favourable outcome for the firm. Therefore, FCA/FOS would need to set down clear guidance on what constitutes a truly representative sample and make clear the consequences of abusing the lead complaints process.

Stage 2 of the process flowchart says that FOS *may* seek information from other appropriate stakeholders including consumer groups. FOS should be *required* to seek information from consumer and other civil society representatives.

Moreover, given the imbalance in resources between firms and ordinary complainants, Stage 3 should say that FOS is *required* to request opinions and evidence from consumer representative bodies and other independent third parties such as academics.

It is concerning that in Stage 5 of the proposed process (Evaluation) the FCA, once again, refers to reducing regulatory 'burdens'. Surely, the key evaluation metric should be whether this lead complaints process results in better redress outcomes for consumers affected by detriment caused by the firm's behaviours. It is important, therefore, that an additional stage is incorporated requiring the FCA/FOS to assess how fairly and responsibly firms who have invoked a lead complaints process have used the process.

This lead complaints process would need significant enhancements to governance arrangements. We have outlined above a proposal for an advisory panel to provide recommendations to FCA/FOS on how to handle wider implications issues, MREs, and referrals/lead complaints.

Question 6: Do you agree that firms should be allowed to pause related complaints while lead cases are under investigation in the lead complaints test process?

It is not clear what benefit there is from allowing firms to pause related complaints while lead cases are under investigation.

There may be a number of particularly vulnerable consumers eligible for redress who cannot wait for lead cases to be evaluated. It is not hard to envisage industry using these new proposals from HMT/FCA to tie up the FCA and FOS. So, it may take some time for lead cases to be investigated and a way forward agreed.

Moreover, complaints could still be assessed while a lead complaints test process is underway. If it subsequently transpires that the outcome of a test process would now result in a more favourable outcome for those who have already had their complaint processed, then firms could be required to upgrade the redress.

Question 7: What safeguards should there be to ensure the lead complaints process is not used to delay or avoid complaint resolution?

The lead complaints process will undoubtedly create opportunities for the industry to tie up FOS or to affect the outcome in favour of firms. Therefore, if this proposal is implemented, a number of safeguards should be introduced to protect the consumer interest. As outlined above:

- FCA/FOS would need to set down clear guidance for firms on what constitutes a truly representative sample that can be submitted to FOS and make clear the consequences of abusing the lead complaints process.
- When considering a lead complaint, FOS should be required to seek information and opinions from consumer and other civil society representatives.
- The key evaluation metric should be whether this lead complaints process results in better redress outcomes for consumers affected by detriment caused by the firm's behaviours. An additional stage should be incorporated requiring the FCA/FOS to assess how fairly and responsibly firms who have invoked a lead complaints process have used the process.
- We do not see why complaints should necessarily be paused. If the FCA/FOS do decide to allow pauses, FOS should only be able to do this after appropriate consultation with consumer representatives/advisory panel. Particular consideration should be given to vulnerable consumers who may be harmed by any delays.

Question 8: Do you agree in principle with the introduction of a new registration stage before a complaint is investigated by the Financial Ombudsman?

As we pointed out in our response to the prior Call for Input, we supported reforming the role of PRs. But, we also said that it is important to recognise that if this channel for redress is curtailed then the FCA would need to be confident that whatever it proposes will offset any potential reduction in the number of consumers reaching FOS. PRs may charge up to 30% of the redress award. But, 70% of an award is better than getting no redress at all if consumers are not aware of the potential for redress or do not feel confident enough to approach FOS on their own initiative.

Therefore, care needs to be taken that the proposed registration stage does not result in further curtailing of consumers' ability to obtain redress. However, it is not possible to say whether we agree or disagree in principle with this proposal as there is insufficient detail to

allow for a meaningful analysis of the potential advantages and disadvantages. The 'devil is in the detail'.

For example, insufficient detail has been included on what might constitute evidential standards on, or a fundamental objection to, a complaint before a complaint can be registered and progressed. In addition, para 5.37 refers to a pilot study with representatives which, by requiring more information upfront, saw a significant reduction in both the number of cases submitted and those later withdrawn. But, no details of this study appears to have been provided so we cannot determine the impact on consumer outcomes.

The FOS aims to ensure that only 'well-formed, appropriately evidenced complaints' progress to the chargeable investigation stage. As explained elsewhere, the FCA (and, therefore, FOS) is under real pressure to promote the growth and competitiveness of the finance sector. The FCA continually refers to regulation as a 'burden'. It is sensible to expect that FOS will come under pressure to apply more stringent standards at this new registration stage to reduce the number of complaints that are investigated. This could result in fewer consumers obtaining due redress.

Therefore, before determining whether a new registration stage would be positive or negative we would need to see much more detail, with scenarios, on what new standards the FOS would apply to complaints before allowing them to move to the investigation stage.

Question 9: Do you agree that the registration stage will help complainants preparing and submitting complaints to the Financial Ombudsman?

We cannot answer this yet until we see details on what the registration stage will involve and how much support will be available to help complainants prepare complaints. There is an obvious risk that, if it is poorly designed, this new registration stage would create further barriers and deter consumers from taking complaints further.

Question 10: What safeguards should there be to ensure the registration stage does not limit access to justice, particularly for vulnerable consumers?

It is difficult to say until we see further details on what standards the FOS intends to apply at the new registration process. However, it is obvious that the more 'rigorous' the standards applied to determine whether a complaint is 'well-formed' and 'appropriately evidenced', the more likely it is that a consumer will be deterred from making a complaint.

Therefore, to ensure this new process does not result in consumers being denied access to justice, consumers will need an appropriate level of support to gather and present the necessary evidence. Moreover, the FCA/FOS should issue guidance on what constitutes a 'fundamental objection' to prevent firms making vexatious objections to complaints at the registration stage.

Question 11: Do you agree that the Financial Ombudsman being able to pause or pass back cases at the new registration stage would improve respondent firms' ability to manage mass redress events or emerging regulatory issues?

No doubt firms will seek to use the new registration stage to try to reduce the amount of redress they end up paying or to influence FCA/FOS policy on emerging regulatory issues. If the FCA/FOS goes ahead with its proposals on MREs, emerging regulatory issues, and the registration stage robust governance measures will need to be put in place to ensure firms do not exploit these measures to their advantage and to the detriment of consumers.

Question 12: Do you agree that the Financial Ombudsman should consider differential case fees for cases in the registration stage?

No comment.

Question 13: Do you agree with the proposed changes to DISP to improve the Financial Ombudsman's operational efficiency?

Yes, we agree.

Question 14: Do you agree with the proposed amendments to COMP 4 and COMP 12A to simplify the list setting out who is and is not eligible to make a claim to the FSCS?

Question 15: Do you agree with the proposed amendments to COMP 6.3.4R to enable the FSCS to determine a relevant person in default, where they are not co-operating with the FSCS, or where personal circumstances prevent them from co-operating?

Question 16: Do you agree with the proposed amendments to COMP 11.2 to give the FSCS greater discretion over where compensation is paid under specific circumstances as described in that provision?

Question 17: Do you agree with the proposed amendments to COMP 12.2.10R and the additional factors listed in COMP 12.2.11R that FSCS must take into account, when considering if a claimant is eligible?

We are not in a position to say whether we agree or not as the FCA has not set out in detail how specific groups might be affected.

Question 18: Do you agree with our assumptions about the sizes of the compliance and legal teams involved in familiarisation and gap analysis, and with our treatment of costs associated with changes to firms' complaint acknowledgment letters?

We are not in a position to comment on the assumptions.

Question 19: Do you agree with our analysis of the costs and benefits of these proposals?

We agree that it is not possible to quantify with any real degree of precision the potential costs and benefits and that the only realistic approach is a *qualitative* approach. We agree with the FCA's broad CBA framework.

However, we do not agree with the FCA's assessment that the proposed reforms, as currently presented, will deliver the assumed benefits for consumers.

Throughout the consultation documents and in other publications and statements HMT/FCA, reiterates the industry narrative that FOS 'acts as a quasi-regulator', and 'retrospectively applies rules'. HMT/FCA offers no evidence to support these assertions referring only to 'perceptions that the Financial Ombudsman is acting as a quasi-regulator'.

The proposed reforms to the redress regime cannot be seen in isolation. Finance industry lobbies already exercise significant influence over financial services policy and regulatory policy. Compared to civil society the finance industry: dominates working groups/task forces while civil society is hugely underrepresented; has the resources to contribute significantly more responses to government and regulator consultations; and has far more meetings with senior policymakers and regulators. Regulated firms are also protected by commercial confidentiality provisions in legislation. The proposed reforms in the HMT/FCA consultations would allow industry to exercise even greater leverage to influence the redress system and overall regulatory policy.

To reiterate our key concerns:

- The specific proposals on MREs, wider implications issues and referrals would allow industry to limit the ability of consumers to obtain due redress by exercising undue influence over redress policy and outcomes. This may provide short term benefits for the industry but, ultimately, is likely to undermine long term trust and confidence in financial services.
- The FCA/FOS have limited resources. The core HMT/FCA proposals could create opportunities for industry lobbies and firms to challenge the FCA/FOS causing them to divert resources from pursuing their core consumer protection and redress objectives.
- The proposals also represent a risk to the FCA's flagship Consumer Duty. The Duty allows firms significant discretion as to how to interpret the outcomes. These proposals on redress could be a Trojan Horse for the industry to undermine the effectiveness of the Duty. It is easy to envisage situations where there are differences of opinion on what was intended by a particular Duty outcome and firms pressuring the FCA to activate the referral process to obtain clarification which

benefited the industry. Even if the FCA held firm and protected consumers, these proposals would obviously provide industry lobbies and individual firms with the opportunity for firms to delay and undermine enforcement action and access to redress by invoking the referral process and tying up the FCA in disputes.

- The combination of HMT/FCA proposals represent a threat to the operational independence of the FCA and FOS. The proposals would bring the FOS too close into the FCA's orbit and threaten to undermine the concept of an independent Ombudsman service.

This marks the end of our submission.

Financial Inclusion and Markets Centre (FIMC)
October 2025