

# Report on the Call for Evidence about The Financial Conduct Authority

Tuesday, 26 November, Parliament



Investment Fraud &  
Fairer Financial Services



Andy Agathangelou  
APPG Secretariat Committee

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# Housekeeping

- Press in attendance; on the record, not Chatham House
- **Please note that you may not take photos or make any video recording**
- Please do use social media: **@appgonifandffs**
- Please vacate the room fifteen minutes before the next briefing starts
- But you're welcome to return for the next briefing
- Please understand today's briefing have a very tight schedule; **'Two-minute statements'**
- No time to play the videos in full; but slides will be circulated, all links will function
- There will be ample opportunity to speak at the subsequent meetings being planned
- Q&A at the end; short questions, short answers, no speeches
- Bob's opening remarks will cover off any remaining housekeeping points



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Bob Blackman CBE, MP for Harrow East  
APPG Co-Chairman

@appgonifandffs  
@BobBlackman



### Our Purpose Statement

*“To advocate for the victims of financial misconduct, crimes, scandals, frauds and regulatory failures, by driving positive, progressive, and purposeful reforms that achieve a fair, trusted and just system, **where the** service providers, **regulators** and government agencies **provide appropriate protection and deliver good outcomes, including redress for historical wrongs.**”*



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Mark Garnier, MP for Wyre Forest  
Shadow Economic Secretary to the Treasury

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@Mark4WyreForest



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Sam Rushworth, MP for Bishop Auckland  
APPG Co-Chair

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@SamJRushworth



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# Sarah Bool, MP for South Northamptonshire APPG Vice Chair

@appgonifandffs

@sarah\_bool



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# What we are discussing today really matters

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- Because it's important to our economy, particularly the necessary growth agenda
- Because it's important to our financial wellbeing and sense of financial security
- Because it's important for restoring trust and confidence in the regulatory framework
- But most importantly because too many people are suffering unnecessarily



# The email you never want to get

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**From:** Transparency Zitkus <[alex.zitkus@transparencytaskforce.org](mailto:alex.zitkus@transparencytaskforce.org)>

**Date:** Friday, 24 February 2023 at 08:59

**To:** Andy Agathangelou <[andy.agathangelou@transparencytaskforce.org](mailto:andy.agathangelou@transparencytaskforce.org)>, Chelsea Houghton <[chelsea.houghton@transparencytaskforce.org](mailto:chelsea.houghton@transparencytaskforce.org)>

**Subject:** Ian Davis

## Form Entry Data

**Name**

[REDACTED]

**Email Address**

[REDACTED]

**Subject**

Ian Davis - Volunteer Researcher

**Your Message**

Sadly I have to inform you of the death of Ian Davis. This scandal, and the loss of his life savings, affected him deeply and he took his own life earlier this month. I believe his funeral will be 1st March.



# The late Ian Davis (RIP)

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- For Ian's written testimony [click here](#)
- For Ian's video [click here](#)
- For Ian's Early Day Motion; [click here](#)



- One minute silence; for Ian and all others who have suffered similarly



Mark Bishop  
APPG Secretariat Committee

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## How the Call for Evidence was conducted

- Identified six groups of engaged stakeholders, other than authorised persons
- In online workshops, developed question sets (each ~25 questions, many in common)
- A seventh group, FCA employees past/present, approached the Secretariat
- Used social media, established Action Groups, media coverage to raise profile and encourage responses (~174 received)
- Offered two levels of anonymity (name, APPG-only report); secure server; *de minimis* editorial control
- Data processed using only APPG secretariat, seen only by APPG members, except where posted [on APPG website \(some with videos\)](#) to encourage more respondents



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# Limitations of this exercise

- Necessarily backward-looking (July 2021-March 2022)
  - Willing to repeat the exercise, if budget provided
  - Later timeframe would bring into scope some big scandals: car finance; Woodford; Philips Trust Corporation, WealthTek, and provide *ex post* verdict on Transformation Programme
  - However, action is needed now!
- Sample size
  - FCA co-operation (requested, declined) would transform participant numbers
  - Right to reply at this meeting offered, and follow-up engagement programme proposed
- Selection bias
  - Worked hard to publicise the exercise, more respondents than expected or any previous qualitative report into a UK regulator
  - Our findings are highly consistent with [Trustpilot](#) ratings, comments below Times [report](#) published yesterday and the six other reports mentioned in the introduction to [the report](#)

## Report on the Call for Evidence about The Financial Conduct Authority



*The entirety of this work is dedicated to the memory of [Ian Davis R.I.P.](#)*

Please report any necessary edits through [this link](#).

- The report exists only as a PDF
  - This QR Code downloads the report



- Or follow [this link](#)
- Reasons:
  - Size
  - Links from text to underlying testimony
- Structure:
  - Foreword, Executive Summary, Introduction
  - Methodology
  - Evidence chapters - one per stakeholder group
  - Recommendations, Conclusion



Andy Agathangelou  
APPG Secretariat Committee

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## Analysis of the evidence identified the FCA having issues with:

- Culture
- Its immunity from civil liability against consumers
- The revolving door problem
- Conflicts of interest
- Regulatory capture
- Memoranda of Understanding with other organisations
- A general lack of integrity
- Ineffective stakeholder management and communications
- Failure to act on evidence of malpractice/criminality given to it
- Its failure to make full use of the powers Parliament has given it
- Shunning responsibility, and lacking scrutiny and accountability
- Its failure to properly carry out its operational duties
- The treatment of whistleblowers



## Analysis of the evidence identified the FCA having issues with cont:

- The regulatory perimeter
- The Register; it lacks rigour and data integrity
- The handling of matters relating to overseas jurisdictions
- The handling of the Appointed Representatives status
- Wasting money
- The likelihood that the leadership team will get in the way of the change that is needed

# A world-class Recommendations Panel



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**Louise Baxter-Scott MBE**

- Immediate Past Chair and Non-Executive Director of Chartered Trading Standards Institutes
- Panel member on the Phone-Paid Services Authority Consumer Panel
- Panel member of the Government Joint Fraud Taskforce
- Leadr, National Trading Standards Scams Team
- Winner of the Heroes Award in recognition of her work on consumer protection
- Fellowship and MBE for Protecting Vulnerable Consumers from Financial Abuse



**Dr. Nicholas Morris**

- Led a team at Oxford to examine how the trustworthiness of the financial system could be improved, after the Global Financial Crisis, which led to the book 'Capital Failure: Rebuilding Trust in Financial Services'
- Author, 'Management and Regulation of Pension Schemes: Australia: A Cautionary Tale'
- Adjunct Professor at La Trobe Law School, Melbourne
- Over 40 years of experience advising companies, governments and international agencies, in the UK, Australia, Europe, China, SE Asia and the Middle East, on financial regulation, health and social support systems, and the financing of essential infrastructure



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# A world-class Recommendations Panel continued



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**Dr. Kara Tan Bhala**

- President and Founder of Seven Pillars Institute for Global Finance and Ethics
- 30 years of global finance experience, including Wall Street roles as equity analyst and portfolio manager
- Member of the Council on Foreign Relations and the Royal Society of Asian Affairs, combining expertise in global finance and moral philosophy



**David Pitt-Watson**

- Co-founder and former CEO of Hermes Focus Funds, which became the largest responsible investment group
- Chaired the UN Environment Programme's Finance Initiative, contributing to the Paris Climate Conference, and led the RSA's Tomorrow's Investor programme on pension reforms
- Fellow at Cambridge University, author of books in five languages, and held leadership roles including KPMG non-executive director, Treasurer of Oxfam, and Chair of the NESTA endowment fund.

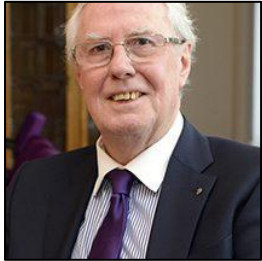


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# A world-class Recommendations Panel continued



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**Professor David Llewellyn**

- Emeritus Professor of Money and Banking at Loughborough University
- Former economist at Unilever, HM Treasury, and the International Monetary Fund
- Focused research and publications on financial regulation and consumer protection
- Served as Public Interest Director of the UK's former Personal Investment Authority and Chair of the European Banking Authority's Banking Stakeholder Group
- Consultant to financial regulators, including the South African Reserve Bank
- Advocate for mutuality in the financial system and author of numerous books and articles, with a recent book on financial exclusion



**Associate Professor Andy Schmulow**

- Specialist in financial system regulation, focusing on Twin Peaks, consumer protection, and regulatory capture, with work reflected in major legislation
- Led the creation of the world's first consumer-outcomes indicator framework for the World Bank's CGAP, improving financial well-being for 1.5 billion consumers
- a member of the European Banking Institute, and is admitted to legal practice in South Africa and Australia.
- Holds honorary academic positions worldwide



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# A world-class Recommendations Panel continued



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**Dr. Louise Ashley**

- Senior lecturer at Queen Mary University of London and a Fellow of its Institute for Humanities and Social Sciences
- Specialises in diversity and inclusion research, focusing on social mobility, class, and 'elite' occupations in large multinational organisations
- Published extensively in leading academic journals, with her work widely covered in UK and international media
- Author of *Highly Discriminating: Why the City isn't Fair and Diversity Doesn't Work*, examining class and gender inequalities in City firms and potential responses.



**Jack Gilbert**

- Journalist at Citywire, serving as editor of Citywire New Model Adviser, a publication for UK financial advisers
- Winner of multiple industry awards, including Headlinemoney's B2B Journalist of the Year in 2017 and 2020
- Investigated financial scandals, featuring prominently in [BBC Panorama's 2022 documentary, The Billion-Pound Savings Scandal](#)
- Has written for other notable publications, including Private Eye



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# A world-class Recommendations Panel continued



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**John Howard**

- Was BBC Radio 4's consumer's champion on 'You and Yours', for 14 years, winning multiple awards
- Chaired the FCA's Financial Services Consumer Panel
- Held senior roles with the Mortgage Code Compliance Board, Ofgem, and the Financial Ombudsman Service
- Appointed Independent Commissioner for the Treasury's Equitable Life Payments Commission
- Chief Executive of Consumer Insights, advising on fairness and principles-based regulation in financial, energy, and water sectors



**Rachel Neale**

- Lead campaigner for UK Mortgage Prisoners, first featured in the BBC Panorama documentary '*Trapped by My Mortgage*' and now driving the campaign via its Facebook group
- Chair of the committee at Harcus Parker for group litigation, helping establish the APPG for Mortgage Prisoners and advocating for legislative reforms.
- Works to support mortgage prisoners with mental health, debt assistance, and tackling unfair practices by unregulated firms, while serving as a stakeholder and spokesperson on the Solutions Group



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# A world-class Recommendations Panel continued



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**Roger Mullin**

- Former member of Parliament for Kirkcaldy and Cowdenbeath
- Was the SNP's Treasury spokesperson and led a range of Parliamentary campaigns for greater transparency and ethics in the financial system
- Succeeded in moving the UK government to hold an inquiry and make some all too modest changes to Scottish Limited Partnerships which continue to be a vehicle for international criminality and money laundering
- Writes on the need to tackle the culture of financial institutions including banks, addressing in particular failings in ethics; he has written on such matters for the likes of International Banker, The Herald and The National
- Honorary Professor at the University of Stirling, lecturing on ethical finance
- Has also taught Applied Decision Theory and related ethical questions on a range of post graduate programmes
- He is a former chair of the university's joint departmental research ethics committee in which capacity he undertook ethical reviews of research proposals

**Thank You**



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# Recommendations for consideration by Parliamentarians

- **Reform v reinvention / Repair v replace / Fix v abolish**
  - The Recommendations Panel believes that initial efforts should focus on executing operational, governance and accountability improvements within the current regulatory landscape. Many of these changes can be implemented by the FCA, while some reforms require legislation.
  - However, the Panel accepts that its proposals may not be implemented wholeheartedly or at all by the FCA, Government or both, and that there is also a risk that its proposed remedies may not be successful. For this reason, it has recommended that if the FCA continues to fail to win the confidence of stakeholders, there may be a need to reconsider from first principles what the regulatory landscape should look like, perhaps by holding a Royal Commission



## Recommendations for consideration by Parliamentarians continued

- **The internal reform agenda** i.e. the key changes that the Panel believes the FCA leadership should introduce unilaterally and at the earliest opportunity include:
  - Develop and embrace a consumer-centric mission statement, against which the organisation is tested and held accountable by a consumer oversight body
  - Change the FCA's reward and promotion system to be explicitly aligned with its professed objectives and values
  - Develop recruitment processes that recognise 'People are policy'
  - Introduce a no tolerance policy for a lack of integrity
  - Develop a specialist consumer-facing department for scam victims
  - Face up to the criticisms made of it by the public at large



## Recommendations for consideration by Parliamentarians continued

- **Changes where Government intervention is required**

The Panel believes that Government can help the FCA perform more effectively through legislative changes, including through these measures:

- The establishment of a Financial Regulators' Supervisory Council, which would conduct periodic reviews of the operational effectiveness of the FCA
- Remove the FCA's immunity from civil liability to consumers
- Put in place restrictions on whether/when regulators join regulated firms, and vice versa
- Strip out the fundamental conflicts of interest within the FCA's objectives, through amending [Part 1 of the Financial Services and Markets Act 2000](#)
- Introduce a statutory, civilly actionable Duty of Care



## Recommendations for consideration by Parliamentarians continued

- Give the Financial Services Consumer Panel a statutory remit
- Introduce Parliamentary oversight of the appointment of its Chair
- Change the way the FCA is funded
- Overhaul the way the FCA's senior leadership team is appointed
- Establish a new NGO to act as a counterweight to industry lobbying
- Replace the FCA's Leadership Team; if it proves necessary
- Carry out a Royal Commission for radical architectural reform, if all else has failed



## Recommendations for consideration by Parliamentarians continued

- There is a strong case to re-engineer the regulatory landscape if it proves necessary
- There is a need for ongoing scrutiny and formal periodic reviews
- The time for action is now



# Ned Beale, Litigator, Hausfeld

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@NedBeale



- Sky TV regarding the Judicial Review v the FCA; [click here](#)
- About the Judicial Review v the FCA; [click here](#)
- A brief conversation with Ned; [click here](#)



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# George Patellis, Whistleblower

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@GPatellis



For George's written testimony [click here](#)

For George's full video testimony [click here](#)

For a brief conversation with George; [click here](#)



# Statement from Kay Linnell: Forensic Accountant & Chartered Arbitrator, [Kay Linnell & Co](#)

*"I am writing in a personal capacity rather than as a member of the Justice for Sub Postmasters Alliance in respect of the campaign against the disgraceful treatment of Sub Post Masters by Post Office Limited, and by the supervising Department of Business and Trade, to comment on the commonalities between the treatment of Sub Post Masters, and the victims of maladministration, suspected financial crime and fraud perpetrated on those people and organisations who have suffered as a consequence of regulatory failure by the Financial Conduct Authority; for example in the [London Capital & Finance](#) scandal, and the many others.*

*The Post Office scandal has taught us that arms-length bodies must not be allowed to 'go rogue' through a lack of transparency, scrutiny, challenge, supervision, oversight and accountability; and in particular through the presiding Minister ignoring cries for help, and choosing to believe powerful vested interests rather than the innocent, the weak and the vulnerable.*

*It should be noted that denying justice to those who have been treated in a grotesquely unjust manner can, and sometimes does, lead to widespread righteous indignation and even a sense of national shame. And sometimes heads roll, eventually.*

*[The Report](#) by [the APPG on Investment Fraud & Fairer Financial Services](#) is clearly a serious attempt to wave a red flag to the relevant Minister and Parliamentarians. Let's hope it is treated with the seriousness it deserves and that the Ministers and officials do not respond with wilful blindness, or allow the wool to be pulled over their eyes by those with a selfish agenda, again."*







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# Next steps; guided by the principle that “Knowledge is only power if applied and acted on”

- The APPG to discuss the report with interested parties, such as:
  - The Financial Conduct Authority and connected entities
    - The FCA’s Board – its CEO and Non-Executive Chairman, Executive and Non-Executive Directors
    - The FCA's Financial Services Consumer Panel
    - The FCA's Consumer Network
    - The FCA's Industry Network
    - The Financial Ombudsman Service
    - The Financial Services Compensation Scheme
    - The Financial Regulators Complaints Commissioner
  - Relevant Parliamentary Committees
    - The Treasury Committee
    - The Lords Financial Services Regulations Committee
    - The Work and Pensions Committee
    - The Justice Committee
    - The Public Accounts Committee





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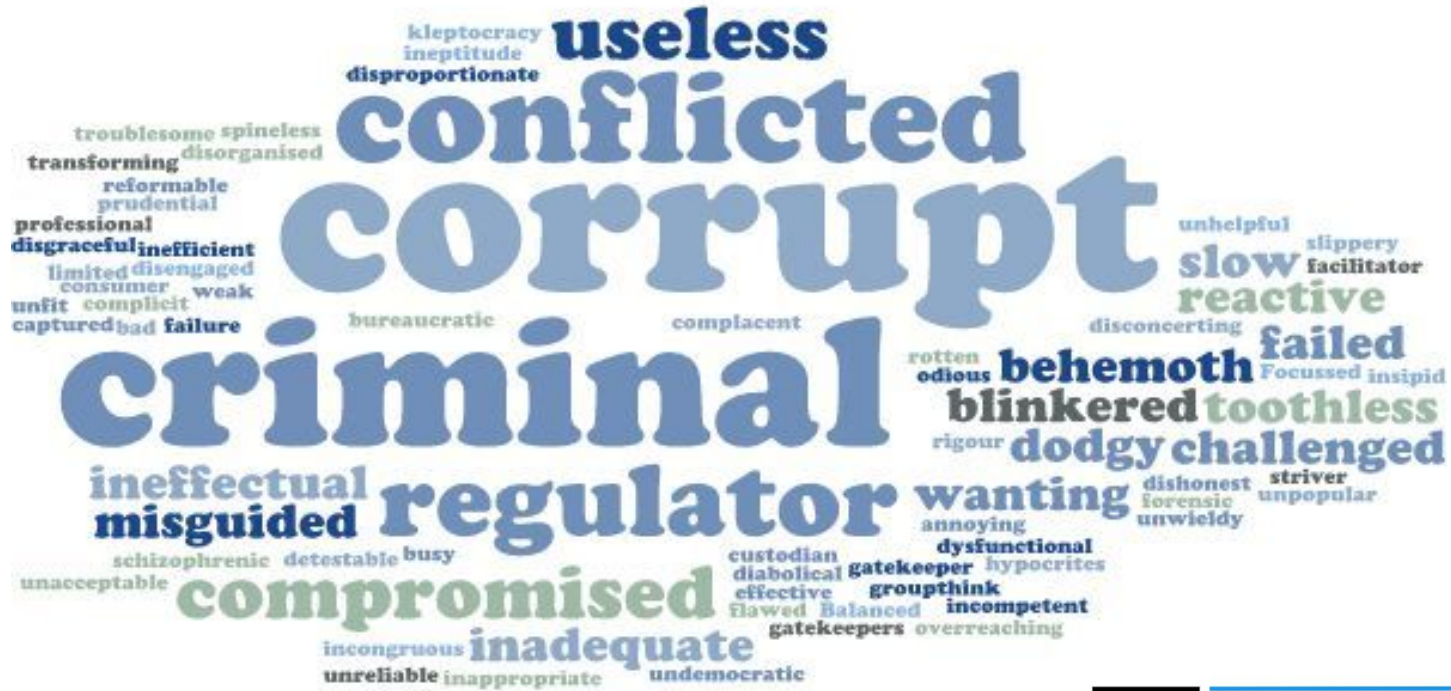
# Next steps; guided by the principle that “Knowledge is only power if applied and acted on” continued

- Other key stakeholders in Government and Parliament
  - The Economic Secretary to the Treasury; and the Shadow Economic Secretary to the Treasury
  - The APPG on Financial Markets and Services
  - The APPG on the Future of Financial Services
  - The APPG on Whistleblowing
  - The APPG on Fair Banking
- Relevant spokespeople in each of [the UK's thirteen political parties](#)
- Make good use of established Parliamentary processes
  - Questions: Treasury questions, oral questions and written questions
  - Debates: Back bench, Westminster Hall and Adjournment
  - Amendments to relevant Bills, Private Members' Bills and Ten Minute Rule Bills
  - Inquiries by relevant Committees
  - Early Day Motions





# Word Cloud of all responses to the 'what one word?' question



For the source data [click here](#); last updated 25 November 2024





# “Two Minute Statements”

- Briefing #1:
  - Richard Emery
  - Robert Dellner
  - Paul Carlier
- Briefing #2:
  - David Parkin
  - Ian Tyler
  - Steve Middleton
- Briefing #3
  - Tony Baron
  - Gareth Roberts
  - Ian Duffield



# Q&A

- For the Press
  - The Times
  - Bloomberg
  - The Wall Street Journal
  - The Financial Times
  - The Telegraph
  - Thomson Reuters
  - Byline Times
  - Mallowstreet
  - EU Reporter
  - The Financial Times
  - CityWire
  - Lexology
  - The Daily Mail
  - MLex
  - Young Money Blog
- For others





# **Our overriding conclusion, based on the evidence received, must be that:**

- **There is a lot that is seriously wrong with the FCA**
- **Even if that was just a perception and not a reality, it's a serious issue**
- **The FCA should fix what it can**
- **Parliament should intervene as necessary to ensure we have an effective conduct regulator, for the sake of the City and for the sake of our citizens**
- **The time to act is now.**



# **In drawing matters to a close, there is no escaping the fact that the evidence we received shows that:**

- **There's a high degree of consistency across the testimony and other sources**
- **The FCA is widely seen as incompetent**
- **Its integrity is called into question**
- **Its treatment of whistleblowers and their evidence is alarming**
- **It has a defective organisational culture, driven from the top**
- **Transparency and accountability is lacking**
- **The Transformation Programme has not worked**



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**Thank You**



**Investment Fraud &  
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