

Financial Services Consumer Panel



**Annual
Report
2013/2014**



An independent voice for
consumers of financial services

Who we are

The Financial Services Consumer Panel (the Panel) is an independent statutory body, established in 1998. The duty requiring the Financial Services Authority (FSA) to set up a Panel to represent the interests of consumers was not affected by the new regulatory structure established on 1 April 2013 which placed the same duty on the Financial Conduct Authority (FCA).

Panel members are recruited through open competition and serve a maximum of two terms of three years. Their areas of expertise include: consumer advocacy, law, economics, market research, financial services, communications and later life issues.

The main role of the Panel is to advise the FCA on its strategy and policies. We constructively challenge the FCA to improve its effectiveness in meeting its consumer protection and competition objectives. The Panel also has a broader remit in 'horizon scanning' the regulatory landscape and its impact on consumers, including at EU level.

The full Panel meets 11 times a year, as do the two working groups which specialise in particular areas of the Panel's work. A separate EU working group meets 5-6 times a year.

The Panel maintains a regular dialogue with the FCA, and FCA staff regularly attend Panel meetings and working groups. The Panel submits monthly reports to the FCA Board and the Panel Chair regularly meets the FCA's Chairman and Chief Executive.

Outside the FCA, the Panel meets with diverse stakeholders, including other consumer organisations such as Which?; Government departments; other parts of the regulatory 'family': the Prudential Regulation Authority; Financial Ombudsman Service; Financial Services Compensation Scheme and Money Advice Service; firms and financial services trade bodies. The Panel is also represented on ad hoc industry consumer bodies such as the BBA Consumer Panel and the Personal Finance Society Consumer Insight Panel.

Beyond the UK, the Panel is a partner organisation of the European Consumers' Organisation, the Bureau Européen des Unions de Consommateurs (BEUC), and a Supporter of Consumers International. Individual members of the Panel sit on EIOPA's Occupational Pensions Stakeholder Group, the EBA's Stakeholder Group and the European Commission's Financial Services User Group.

<http://www.fs-cp.org.uk/>



Foreword by the Chair

This report covers the first year of the FCA and my first nine months as Panel Chair. My predecessor, Adam Phillips, left us in good shape and we have risen well to the challenge of working with the new regulator.

The FCA has had a busy first year, getting to grips with its new statutory objectives and planning for the regulation of consumer credit firms, which it took on from 1 April 2014. As if that wasn't enough, Parliament added, among other things, responsibility for regulating the payments system (from April 2015), a new Senior Persons regime, and the knotty problem of price capping high cost short-term loans.

The Panel has engaged with all these issues, and more, for example:

- Providing advice, guidance and a consumer perspective to the FCA;
- Influencing the new consumer credit regime;
- Challenging the general insurance market to work better for consumers;
- Strengthening the right of consumer input to the Prudential Regulation Authority (PRA);
- Highlighting the issues faced by older consumers, including problems in the equity release and annuities markets.
- Providing a UK consumer perspective on European consultations, including the review of the EU financial supervisory system;
- Making recommendations on how consumer representation could be improved at EU level;

Unlike the FSA, the FCA has a statutory objective to make markets work better for consumers. It has put in place a comprehensive intelligence gathering capability and meets with consumer groups regularly. The Panel has adapted accordingly. Under the new regime, our unique strength is that we do not have a particular constituency or membership group. We can be a true 'critical friend', using our collective expertise to call it as we see it in the interest of all consumers. Our privileged access to the FCA's early thinking strengthens our effectiveness.

I would like to thank Panel colleagues for making me feel welcome, and continuing to devote their time, energy and expertise to improving outcomes for consumers of financial services. As well as Adam, we said goodbye to Kay Blair, Frances Harrison,

Niamh Moloney, and Dan Plant. Our best wishes go with them. We welcome Liz Barclay, Caroline Barr, and Doug Taylor, who joined us in January this year.

I would also like to thank the secretariat for their hard work and sage advice, and the FCA teams who have engaged with us so openly and positively.

Looking forward, we have a busy agenda. I do not believe that most firms have really embraced the idea of treating customers fairly. There is still too much evidence to the contrary. The new banking standards organisation is a real opportunity to embed cultural change, and we look forward to working with it. We will advise the FCA on competition and consumer credit, as these bed in. The crackdown on 'payday' loans is welcome, but other forms of credit currently cause more detriment overall. As we went to press we were pleased to see the FCA express concerns over the cost of unauthorised overdrafts, and to flag a competition review into credit cards.

We will watch the implementation of the new mortgage borrowing rules, especially the risk to 'mortgage prisoners' trapped in poor value deals. Advice and guidance remain a concern. There is still widespread non-compliance with RDR rules. 'Non-advice' continues to pose a risk for consumers, and it will be vitally important to get the 'at retirement' guidance promised in the Budget right. The greater freedom for people to choose what to do with their pension pots will also pose risks as new products come on to the market. We will be urging the FCA to be vigilant, especially to protect those who retire in the gap between the Budget and April 2015. The problem of perverse incentives has not gone away and the FCA needs to keep on top of this.

More generally, we will encourage the FCA to measure outcomes, and to keep the costs and benefits of regulation under review. We will also focus more on small businesses, who often face many of the same issues as retail consumers.

Finally, we have our own projects, on cross subsidies in personal current accounts, investment costs, and effective regulation as the consumer sees it. I hope in time these will lead to positive change.



Sue Lewis
1 June 2014

Contents

Chapter 1	Introduction	7
Chapter 2	The Regulatory and Policy Environment	11
	Financial Services (Banking Reform) Act 2013	11
	Parliamentary Commission on Banking Standards	11
	Consumer Rights Bill	12
	Banking Standards Review	12
	Regulation of Consumer Credit	13
	Principles of consumer representation at EU level	13
	Banking and payment services at EU level	14
	The Review of the European System of Financial Supervision	14
	Coherence of European Financial Services Legislation	15
	Balance of Competences Review	15
Chapter 3	Products and Services	17
	Savings and investments	17
	With profits	17
	Mortgages	18
	Asset decumulation	19
	Consumer credit	21
	Redress	22
Chapter 4	Advice and accessibility	25
	Transparency	25
	Warning notices	25
	Effective regulation from a consumer perspective	25
	The Retail Distribution Review (RDR)	26
	The non-advice market	26
	Money Advice Service	29
	Financial access and vulnerability	29
Chapter 5	Competition in financial services	31
	Opening up UK payments	31
	Cross subsidies in personal current accounts	31
	Competition and Markets Authority (CMA)	31
	Appendix 1: Biographies of Panel members	34
	Appendix 2: Budget and expenditure	44
	Appendix 3: Meetings with external bodies	45
	Appendix 4: Events in which Consumer Panel Members have participated	46
	Appendix 5: Panel publications, research and responses to consultations	47
	Panel terms of reference	50



The Panel in January 2014.

For a list of the 2013-2014 Panel members see Appendix 1.

Introduction – our principles and approach

The Panel's aspiration is to help bring about an open, competitive financial services market in which consumers can effectively exercise choice with confidence, from a range of products and services which meet their needs and offer true value.

Our work is guided by three broad principles:

Trust

Consumers should be able to trust firms to have their best interests at heart:

- Firms treat consumers and potential consumers fairly;
- Firms operate in the best interests of the consumer;
- Products and services do what service providers say they will do, throughout the lifetime of the product;
- Risks, and any changes in risk, are communicated clearly to consumers at the time they arise;
- Complaints handling is accessible, quick, fair and free to the consumer; and
- Redress is set appropriately and provided promptly.

Accessibility

Consumers should have access to products and services at a fair price, and be given information which helps them make choices:

- Terms and conditions are set out succinctly, clearly and in a way which can be easily understood and which allows consumers to compare products simply;
- Consumers are able to access vital products and services they need in order to participate fully in society and protect themselves in the short, medium and long-term; and
- Fees for products and services do not discriminate against vulnerable people.

Competition

Competition should work in the interests of consumers:

- Innovation genuinely meets the needs of consumers;
- Effective and sustainable competition improves the quality and pricing of products;
- Prices represent good value, are transparent and comparable across similar products; and
- Market surveillance is proactive and transparent, and policing is effective.

Much of the Panel's work is focused on the FCA's activities, and we respond to requests as they emerge; we also identify a few projects each year in which we take a deeper look at issues affecting consumers. There are also many public consultations by other bodies, from Select Committees to Government departments, other regulators and EU institutions. Much as we would like to respond to everything relevant, our resources are limited, and we need to prioritise. In doing so, we ask ourselves the following questions:

- Is this a consumer issue?
- Is there actual or potential serious widespread consumer detriment?
- Does the Panel have the capacity/resource to get involved?
- Are other bodies involved on the same side?
- Will Panel intervention make a difference?
- Does the consultation deal with issues that relate directly to the Panel's agreed priority areas?

The following chapters set out our activities and achievements in 2013-14, and some of our plans for 2014-15. The latter cannot be set in stone, as we need to respond to the FCA's agenda, and to external circumstances.





215 224
КАРТА

The Regulatory and Policy Environment

Financial Services (Banking Reform) Act 2013¹

The Act received Royal Assent on 18 December 2013. Among other things, it brings about the following key changes:

- A 'ring-fence' around the deposits of people and small businesses;
- A criminal sanction for reckless misconduct that leads to banking failure;
- A cap on the overall cost of high-cost short-term credit; and
- A legal gateway for the Panel to raise issues with the PRA.

The Panel welcomed the Act, in particular the 'gateway' to the PRA. When the responsibilities of the FSA were split under the Financial Services Act 2012, the legislation put a duty on the PRA to set up a Practitioner Panel, but not a Consumer Panel. As many of the PRA's policies and rules affect consumers directly, the Act goes some way towards correcting this imbalance.

Parliamentary Commission on Banking Standards²

The Panel gave evidence to the Parliamentary Commission on Banking Standards (PCBS), and we support the Commission's recommendations, including:

- making senior bankers personally responsible through a new Senior Persons' Regime;
- reforming bank governance;
- creating better-functioning and more diverse markets;
- reinforcing the powers of regulators and making sure they do their job.

We hope that in due course the measures proposed by the PCBS will be extended to non-bank financial services.

1 <http://www.legislation.gov.uk/ukpga/2013/33/contents/enacted>

2 <http://www.parliament.uk/bankingstandards>

Consumer Rights Bill

At the end of 2013-14, the Consumer Rights Bill was passing through Parliament. The legislation is part of a fundamental reform of consumer law, which aims to make consumers better informed and better protected when they purchase a product or service. The Panel called for three amendments to the Bill. These took into account some of the particular disadvantages experienced by consumers of financial services, given the complexity of the market and long-term nature of some products. The amendments sought:

- A tailored exemption from the ‘fairness’ test, meaning it applied only to a transparent ‘up front’ price and not to variable future fees or charges which are unknown at the time the product is bought;
- A clearer definition of ‘average consumer’ in line with that used by the European Court of Justice;
- The right to cancel for ‘mortgage prisoners’. The right to cancel does not help consumers who are unable to secure an alternative mortgage product, so we believe this particular circumstance should be added to the indicative list of unfair contract terms in the Bill.

Banking Standards Review³

Despite the many statements by senior bank leaders that culture is changing, there continue to be numerous examples of banks failing to treat their customers fairly. The Panel commented on professional and ethical standards, notably in its written evidence to the Parliamentary Commission on Banking Standards⁴.

In September 2013 the banking industry asked Sir Richard Lambert to create an independent body that would promote high standards of competence and behaviour across the UK banking industry. In response to a consultation issued by Sir Richard, the Panel said that the new organisation needed to address the following:

- Low levels of professional standards. Out of over a million people working in the banking sector in the UK, the Chartered Banker Institute has just 9,000 members, of which only 4,000 hold the highest level of qualification;
- The failure of banks and individuals within them to face up to their responsibility to customers; and
- The lack of corporate responsibility within the banking sector.

³ <http://www.bankingstandardsreview.org.uk/>

⁴ <http://www.fs-cp.org.uk/publications/pdf/cp-response-parliamentary-commission-on-banking20120924.pdf>

The Panel believes that the test will be whether new standards generate significant behavioural change. We also suggested in our response that the new body should work closely with the FCA as it develops the new Senior Persons Regime.

Regulation of Consumer Credit

On 1 April 2014, after the dismantling of the Office of Fair Trading, the FCA took over the regulation of consumer credit. This means the FCA now has regulatory responsibility for an additional 50,000 firms, many of them very small.

The Panel responded to the joint HM Treasury/Department of Business, Innovation and Skills consultation on transferring consumer credit regulation to the Financial Conduct Authority in May 2013⁵. It also responded to the FCA's high-level proposals for the regime and the detailed rules⁶.

We believe the regime needs the following to deliver good outcomes for consumers:

- Enforcement: the FCA will need to have an appetite for early intervention and strong enforcement in order to protect consumers, provide clear deterrence and maintain a level playing field for fair trading businesses;
- Flexibility: the new regime will need to be constantly evaluated to ensure it is delivering its objectives and changes are made where it is not;
- Partnership and cooperation: the FCA will need to invest substantial time and effort in ensuring effective relationships exist with local authority Trading Standards Services, illegal money lending teams and other organisations it has not previously worked with to any great extent. This will be particularly important in ensuring unauthorised firms are not operating in this sector.

Principles of consumer representation at EU level

Increasing levels of conduct regulation originating at EU level mean earlier engagement with policy making is vital to ensure good outcomes for UK consumers. In December 2013, the Panel published research⁷ into consumer representation at EU level. This concluded that:

- The current representation model does not support the input of consumer interests and concerns in the policymaking process;

5 <http://www.fs-cp.org.uk/publications/pdf/CP-response-HMT-consumer-credit-consultation20130430.pdf>

6 <http://www.fs-cp.org.uk/publications/pdf/CP-response-FCA-consumer-credit-consultation20130430.pdf>

7 http://www.fs-cp.org.uk/publications/pdf/consumer_representation_at_eu_level_panel_final_report_dec_2013.pdf

- Few consumer bodies specialise in financial services and even those that do often do not contribute to all relevant retail financial services consultations;
- Many consumer bodies across Europe do not have the resources or technical expertise to engage at European level.

The Panel made a number of recommendations, including

- The need for all member states' financial services regulators to have a consumer protection objective;
- The importance of European Supervisory Authorities (ESAs) demonstrating clearly how they are meeting their consumer protection objectives under Article 9 of the relevant ESA founding regulations;
- Recommendations relating to the operation of the ESAs and their stakeholder groups, relating to resourcing, support and recruitment;
- An investigation by pan-European bodies, with an explicit consumer remit, into the feasibility of developing a European consumer data hub.

Banking and payment services at EU level

Work progressed during the year at EU level on the Payment Accounts Directive, covering the transparency and comparability of account fees, account switching and access to basic accounts.

The Panel believes it is important to address both demand and supply issues relating to access to bank accounts. Access to a basic payment account is key to participating in society. However, a universal service obligation on banks at EU level to provide basic bank accounts will not result in good quality products unless stringent minimum standards are set for such accounts.

Charges should be transparent and all charges for all banking services should be available to consumers, not just a representative sample.

The Review of the European System of Financial Supervision⁸

The Panel was one of the few consumer bodies to respond to the review of the European System of Financial Supervision, in July 2013. We emphasised that consumer protection should be one of the first priorities of the ESAs. The development of a Joint Committee on Consumer Protection is a good starting point, but this needs to be given higher priority as part of a coherent consumer protection agenda. Consumer protection

8 http://ec.europa.eu/internal_market/consultations/2013/esfs/index_en.htm

should be an explicit objective of financial services regulation, and its achievement should be measured against specific, measurable outcomes.

Coherence of European Financial Services Legislation

In 2013 the Economic and Monetary Affairs Committee of the European Parliament conducted a review aimed at enhancing the coherence of EU financial services legislation, asking for concrete examples of issues which have arisen. Again, the Panel was one of the few consumer organisations to respond. We focused on the different directives and regulations addressing the issue of alternative dispute resolution, and the dangers of inconsistency if these are not aligned.

Balance of Competences Review⁹

In January 2014 the Panel responded to the HM Treasury call for evidence on the Balance of Competences Review on the Single Market: Financial Services and the Free Movement of Capital. The Panel's main message was that in many areas the UK leads the way in terms of consumer protection, and that protecting existing consumer rights should be a negotiating priority for the UK authorities at EU level. However, the Panel believes that in some cases there is scope to increase protection, by adopting best practice or by taking on elements of consumer-supporting legislation from elsewhere, such as adopting the wording from the MiFID Directive that a firm should act 'honestly, fairly and professionally in accordance with the best interests of its clients'. There is also scope to increase protection for UK consumers by addressing issues at EU level, particularly where the home base of a company is not clear, where the consumer may be travelling or working outside the UK, or where a business is operating cross-border.

9 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251514/PU1568_BoC_FSFMC_CfE_proof4.pdf



Products and Services

The provision of products and services is core to the Panel's principle of trust. Consumers should be able to trust firms to have their best interests at heart. Disclosure of information is not sufficient to ensure that the interests of providers and their customers are aligned. As well as responding to FCA policy, the Panel undertook two market-wide projects during the year, on general insurance and annuities. These are described below.

Savings and investments¹⁰

The Panel responded to the FCA's consultation on which permissible actions or legitimate expenses could be attributed to dealing commissions. We expressed concern that problems identified as far back as 2001 would persist without structural reform, and asked the FCA to consider banning commission charges to the fund altogether, allowing the fund management industry and clients to devise an optimal charging method. We believe that the precise solution could be left to the market. The FCA's final policy statement was published in May 2014, as we went to press. Unfortunately, in the Panel's view, it did not go as far as banning commission charges altogether.

In 2014-15, we will look in depth at investment costs. The many layers of charges levied on investment funds eat into returns for the consumer. Some are justified and transparent, many are not. Either way, they make it hard for consumers to know what they are paying, and to compare products.

With profits¹¹

The Panel challenged the FCA on its proposals to enable mutuals with a single common fund to separate that fund from any non-with-profits fund. We were concerned that the proposals did not protect with-profits policyholders' interests and rights. In particular, there appeared to be a risk that they would lose the right to vote on the division of the common fund – a right that is fundamental to the mutual ethos. We were also concerned that a sale of a closed with-profits book (following division of the common fund) might be made to a consolidator that does not have a track record of treating customers fairly, and where the with-profits committee's independence

¹⁰ <http://www.fca.org.uk/news/cp13-17-use-of-dealing-commission>

¹¹ <http://www.fca.org.uk/news/ps14-05-response-to-cp12-38>

might be in doubt. In addition we noted that, while sales of closed books to another mutual are generally preferable, some mutuals might not be sound businesses. In either case, consumer protection could be compromised.

We recommended that the independent expert appointed to oversee the separation of the fund should have actuarial expertise as well as access to other relevant knowledge, such as legal expertise. We also recommended that the expert be required to consider the need for a policyholder vote and to seek an independent external legal evaluation of policyholder interests and rights.

Mortgages

Interest-Only Mortgages¹²

The Panel welcomed the FCA's work on interest-only mortgages, making consumers aware of potential pitfalls and empowering them to take action at an early stage.

The FCA found that around 1.3 million homeowners with interest-only mortgages due to mature in the next 30 years would not have enough money to repay the full loan amount without making changes to their financial plans.

The regulator asked mortgage lenders to write to the most at-risk borrowers to warn them of the potential problem they were facing. It also urged lenders to treat borrowers fairly if they were faced with a shortfall.

Mortgage Prisoners

The Panel urged the FCA to act on the potential for unfair treatment of people who are trapped in an expensive contract, for example when a fixed-rate deal ends and they are unable to change product or provider as they no longer meet affordability criteria. In response to the Mortgage Market Review we suggested a specific rule to protect these 'mortgage prisoners' from being treated unfairly, rather than the evidential provision¹³ that currently exists. We continue to have concerns about the level of protection the evidential provision will provide. We suggested that the Opposition table an amendment to the Consumer Rights Bill that would give consumers the right to challenge any variation that is forced on them as an unfair contract term. Unfortunately, the proposed amendment was not successful. We will continue to press our concerns on this issue.

¹² <http://www.fca.org.uk/news/fg13-7-dealing-fairly-with-interest-only-mortgage-customers>

¹³ MCOB 11.8.1 <http://fshandbook.info/FS/html/FCA/MCOB/11/8>

Interest rate stress tests¹⁴

In response to the Mortgage Market Review the Panel recommended that the interest rate stress tests should be used counter-cyclically and that the decision on these should be taken by the FCA partly in the light of, and co-ordinated with, the macro-prudential policy stance of the Financial Policy Committee (FPC).

We are pleased that, in line with the Panel's recommendations, the FCA is proposing to amend its affordability rules to require mortgage lenders to have regard to any future FPC recommendation on appropriate interest rate stress tests. We believe this provision will help consumers by ensuring interest rate stress tests are not overly restrictive in subdued market conditions, when underwriting standards are already tight, and insufficiently restrictive in boom market conditions, when underwriting standards loosen.

Asset decumulation

Annuities

The Panel published research on annuities in December 2013¹⁵. The report highlighted deficiencies and structural weaknesses in the market, especially the increased use of 'non-advice' and the excessive costs of annuitising small pots.

We recommended that:

The FCA should:

- embody in regulatory rules and mandatory standards the equivalent of a code of conduct for the non-advice market, which emphasises the need for high professional standards, the transparent disclosure of charges, and a clear explanation of the implications of non-advice for consumer protection.
- address the causes, including light-touch regulation and non-transparency of commission, of the current regulatory arbitrage in which non-advice services are expanding at the expense of the professional advice market.
- undertake a rigorous market study to examine among other things the possible exploitative pricing of annuities sold by insurance companies to their customers in defined contribution schemes who have saved with them for a pension.
- strengthen the definition of the Open Market Option.

¹⁴ <http://www.fs-cp.org.uk/publications/pdf/mmr-mar12.pdf>

¹⁵ <http://www.fs-cp.org.uk/newsroom/2013/244.shtml>

The Money Advice Service should:

- develop an annuity adviser website and require member firms to adhere to the code of conduct.

The Government should:

- require employers and trustees to establish a non-advice service for members of workplace schemes, and ensure this adheres to the code of conduct.

The FCA published a thematic review on annuities, with similar findings to our own, in February 2014. It has subsequently launched a Competition Market Study, due to report in summer 2014.

The Government's Budget of March 2014 made radical changes to the pensions landscape, by liberalising consumers' choice over how to use their pensions pots. One result was to address our concerns around small pots. The Government also gave a 'guidance guarantee', promising that people nearing retirement would be given guidance about their options for generating income in retirement.

The Panel will respond to the Government on the pension changes in due course. While we welcome the flexibility which people will have, we have concerns about the new products which are likely to appear on the market, and whether these will offer a good deal for consumers. There may also be potential for misselling, fraud, increased risk and complexity. The new guidance service will be crucial in helping consumers to navigate these new and complex choices and must therefore be of the highest quality and completely impartial.

Equity release

In December 2013, the Panel held a roundtable on the equity release market¹⁶. We were concerned about the lack of effective competition and innovation, and the quality of consumer-focused advice within this market. Our concerns are even more relevant in light of the Government's policy ambition for people to use equity release to fund later life care as well as contribute to retirement funds.

Although consumer groups and industry experts did not agree on every issue, we were encouraged that a number of business representatives accepted there should be a fairer way of calculating exit charges in the event that a lifetime mortgage is repaid early, so that consumers know how much they are liable to pay before the day the

¹⁶ <http://www.fs-cp.org.uk/newsroom/2013/243.shtml>

money is due to be paid. Likewise, it was good that some business representatives questioned the appropriateness of using ‘cash backs’ as a sales incentive.

We have encouraged the FCA to consider whether the equity release market is working in the interest of consumers and we are pleased to note that its market study on retirement income will touch on equity release products. This will be even more important in light of the radical changes to the pensions landscape.

Consumer credit

We welcomed the transfer of the consumer credit regime from the OFT to the FCA. The previous regime was undoubtedly limited in terms of powers and resources. We are far more confident that the FCA is well placed to address the significant risk of consumer detriment that exists in this sector, with its greater capacity to enforce, which we expect it to use.

High-cost short-term credit

High-cost short-term (‘payday’ lending) has been the focus of intense media and political attention over the past year. The Panel has engaged with the FCA on the issue and also more widely - for example, by participating in a Ministerial Summit on Payday Lending in July 2013. There is evidence that payday loan customers are likely to be further down the debt spiral than other credit consumers and be more vulnerable to exploitation as a result. We welcome the action the FCA is taking to minimise this, but we believe that in the coming year a focus on consumer detriment within other parts of the credit sector will be required. Most overindebtedness in the UK still arises from the use of credit cards and overdrafts. We welcome the FCA’s recently announced review of the credit card market¹⁷ and its research in April 2014 identifying consumer detriment in the provision of overdrafts¹⁸. We believe that a cap on the cost of high cost short-term credit should apply to all forms of such credit, not just ‘payday’ and other short-term loans.

Second charge lending

The Mortgage Credit Directive is unlikely to be transposed until early 2016. Given the high risk of second charge lending, it is vital that consumers are sufficiently protected by the consumer credit regime until that point. Second charge lenders are often those who are the quickest to force repossession proceedings or act unscrupulously. We have asked the FCA to monitor behaviour in this area to ensure that the interim arrangements for second charge lending are not exploited to the detriment of consumers.

¹⁷ <http://www.fca.org.uk/news/credit-cards-competition-review>

¹⁸ <http://www.fca.org.uk/news/research-shows-many-consumers-paying-too-much-for-overdrafts>

Crowdfunding

The Panel supported the FCA's policy statement¹⁹ introducing protection for investors in crowdfunding and similar activities. We said that it was vital that the protections for this type of investment were proportionate to the risks involved and did not stifle this fast emerging alternative to mainstream lending. However, regulation needs to be agile enough to respond to developments with potential for consumer detriment. This will be a good test of the FCA's preventative philosophy.

General insurance

In July the Panel published a short report²⁰ setting out six challenges for the industry to improve the market for general insurance in the interests of consumers. It called for the industry to:

- Be explicit where cover which a consumer might reasonably expect to be standard does not form part of a policy;
- Show clearly in cash the price increases to auto-renewed policies and remind consumers in good time that they can shop around for a better deal;
- Be clearer about the fees charged for basic policy changes and ensure charges reflect actual costs;
- Ensure information is presented in a way that encourages consumers to look beyond price when comparing policies, in line with Association of British Insurers' best practice guidance;
- Be clearer about who owns comparison sites and whether or not they cover the whole of the market;
- Put customers first, reward loyalty and move away from a culture that treats consumers with suspicion.

The Panel discussed the report with the FCA to ensure it was aware of the poor practices and behaviour it had found. In March 2014, the FCA published preliminary results of a market study into general insurance 'add-ons'. It concluded that competition in these markets is not effective and that this can lead to poor consumer outcomes, including paying too much for products bought as 'add-ons'.

Redress

The Panel believes that where things have gone wrong, consumers should be able to resolve their problem without facing obstacles and in a straightforward manner. Payment Protection Insurance (PPI) cases continue to dominate the Financial

19 <http://www.fca.org.uk/news/firms/ps14-04-crowdfunding>

20 http://www.fs-cp.org.uk/publications/pdf/CP_insurance_research20130719.pdf

Ombudsman Service (FOS) workload, and we are pleased to see that reducing the time taken to resolve cases is a priority.

The Panel has also highlighted problems with complaint handling by banks and is concerned about the increase in complaints about current accounts. It has also spoken about forced closure of accounts where consumers are left with no information about why the account has been closed and wrote to the BBA asking them to address this issue.

The Panel believes that the Financial Services Compensation Scheme (FSCS) plays a key role in ensuring consumers' assets are protected and in maintaining confidence in the financial system. We continue to believe that compensation limits should be applied to each brand and have engaged with the FSCS, PRA and FCA on this issue. We understand that this would require a change of the law in terms of the authorisation of firms. At the very least, customers should be clear about how much of their money is protected, and that different brands may be owned by the same entity. We do not feel that the different arrangements are clear to consumers and would like to see consistency. We also have concerns around provision for temporary high balances, but are encouraged that these will be addressed by the Deposit Guarantees Scheme Directive.



Advice and accessibility

Transparency

The FCA issued a feedback statement in August 2013²¹, setting out proposals for the financial services industry to become more transparent. The FCA also published a transparency framework which will help it decide whether and how to pursue any new transparency initiatives, as well as evaluating their impact. The Panel will monitor both of these developments; especially the nine key initiatives for improving transparency and good consumer outcomes.

Warning notices²²

The Panel welcomed the FCA's decision on how to use its power to publish information about enforcement warning notices. We felt that this measure had the potential to act as a strong deterrent and arguably deliver quicker outcomes by encouraging firms and individuals to settle cases at an earlier stage.

Consumers need to be provided with appropriate information on firms at the earliest opportunity in order to be in a position to make informed choices about whether or not to deal with them. Information about warning notices is in the interests of consumers and fair trading businesses seeking to compete on a level playing field. Furthermore, it will help build trust in the regulator as public awareness of its work increases.

Effective regulation from a consumer perspective

The second of our projects for 2014-15 is about the consumer view of regulation. There is little point in being more transparent if consumers are not aware of, do not understand, or cannot act on the information available. The project will look at these issues, the way consumers use information about firms when making choices, and the barriers to switching away from poorly-behaved firms.

²¹ <http://www.fca.org.uk/your-fca/documents/feedback-statements/fs131>

²² <http://www.fca.org.uk/news/fca-confirms-how-it-will-use-new-power-to-publicise-warning-notice>

The Retail Distribution Review (RDR)

The Panel responded to the FCA Consultation Paper on referrals to discretionary investment managers and adviser complaints reporting²³. We emphasised the point that the existence of referral fees, in any guise, will continue to get in the way of cultural change in the financial sector.

We disagreed with the FCA proposal that payments for pre-RDR referrals to discretionary investment managers should continue, with only new payments on top-ups being banned. Given that the underlying objective is to remove potential bias in the client relationship, we argued that the continuation of referral fees could act as a perverse incentive; it may for instance encourage the retention of business when it might be in the consumer's interest for the business to move. We also expressed concern that the retention of referral fees sends the wrong message to the industry and leaves room for bad and corrupt practices to exist in the market.

The Panel was disappointed that the FCA went ahead on referral payments which it argued were consistent with the position it adopted for trail commission for pre-RDR advice (which can continue indefinitely under certain conditions). We do not believe either position is in consumers' interest.

The Panel is disappointed at the continuing low levels of compliance with the RDR. The FCA found²⁴ that the vast majority of investment advisory firms it assessed were non-compliant in some respect, with a significant proportion having multiple failings. Many problems are identical to those identified by the FCA last year, despite it having issued extensive guidance in the meantime. In light of this, we are urging the FCA to consider the effectiveness of its regulatory tools and, in particular, how it deals with persistent non-compliance. This will be all the more important in light of the Budget changes.

The non-advice market

When the Panel launched its annuities research we called on the FCA to introduce a code of conduct to set minimum standards for 'non-advised' internet sales. Our research found that some sites do not draw attention to the fact that the purchase would be execution only, resulting in reduced consumer protection and access to redress. Nor is it always clear to consumers that they pay commission on these sales. We will continue to lobby the regulator to do more to clarify to consumers the

23 <http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-4-distribution-of-retail-investments>

24 Thematic Review TR14/5: Supervising retail investment firms: delivering independent advice





differences between advice and non-advice, but we still believe a code of conduct is necessary.

Money Advice Service

The Panel commented on the draft MAS Annual Plan, and engaged with the National Audit Office as it developed its “helping consumers to manage their money” report on MAS. We were pleased to see that the annual plan sets out key performance indicators. However, we would like to see a clear narrative demonstrating how the individual strands link to outcomes and MAS’s statutory objectives, and how each level will be measured. The Panel also believes that, as a leader and influencer of financial capability in the UK, it is important that MAS is engaged with counterparts at a European and international level.

We also worked with MAS in the development of its debt advice framework, as well as being represented on the financial capability steering group. We will continue to work with MAS on its financial capability strategy.

Financial access and vulnerability

As the Panel set out in our position paper in December 2012²⁵, terms like ‘vulnerability’ and ‘disadvantage’ are used inconsistently and interchangeably in financial services to imply a risk of consumer detriment. As a result, application of these concepts is a blunt tool, and may, for example, result in consumers who are vulnerable being treated as a low priority because they do not fit the definition.

We continue to support the FCA (which itself published a report in April 2014 on consumer credit and consumers in vulnerable circumstances²⁶) in its aim for all financial services firms to create and put into practice appropriate strategies to address the needs of consumers in vulnerable circumstances.

25 http://www.fs-cp.org.uk/publications/pdf/Defining_disadvantage_&_vulnerability.%202020%20December%202012.pdf

26 <http://www.fca.org.uk/your-fca/documents/research-papers/consumer-credit-consumers-vulnerable-circumstances>



Competition in financial services

The Panel long argued for the FSA to be given effective competition powers to enable it to deliver its statutory objectives, and was pleased that a competition objective and wider competition powers were given to the FCA in the Financial Services Act 2012 and the Financial Services (Banking Reform) Act 2013. The Panel expects that, with its new remit, the FCA will be far better equipped to get to grips with underlying market issues.

Opening up UK payments

Effective competition is the key driver for opening up UK payment systems. We welcomed the Government's decision to establish a new payments systems regulator within the FCA.

Given the fundamentally important role payment systems play in modern society and the integrity of the financial system as a whole, effective oversight that promotes and stimulates competition within it is vitally important. We would like the FCA to ensure that payments systems operate in the interests of consumers, competition in this area is promoted and the disadvantages and weaknesses in the current self-regulatory approach are addressed.

Cross subsidies in personal current accounts

We believe that the current business model prevalent in UK retail banking – cross selling on the back of a “free” current account – militates against competition. This model leads to cross subsidies within the PCA product market, and also across products. We have started a study on the effect of cross subsidies on different groups of consumers, in order to open up a debate about whether the current model serves all consumers well.

Competition and Markets Authority (CMA)

As the successor to the Office of Fair Trading and the Competition Commission, the CMA has given a commitment to provide continuity by ensuring that legacy cases from its predecessors form a significant part of its workload in its first year. We are particularly keen to ensure that the key deliverables from the OFT's market study into defined contribution pension schemes are not lost.

We hope to see the CMA developing close working relationships with the FCA, as well as engaging in a robust stakeholder strategy which actively involves and gleans intelligence from varied and diverse consumer groups.



Appendix I:

Biographies of Panel members



Sue Lewis – Chair
(Appointed as Panel Chair 1st July 2013)

Sue is a Board member and independent consultant. She is a Consumer Advocate Member of the Chartered Insurance Institute's (CII) Professional Standards Board, ensuring the consumer interest is represented in advice to the main CII Board. Sue is also a Trustee of the Personal Finance Education Group (pfeg) and of StepChange debt advice charity. As a consultant, Sue advises on consumers and financial services, with a focus on consumer protection regulation and financial education. She is a regular speaker at international conferences. Sue is also a member of the Financial Services User Group, which advises the European Commission on the impact on consumers of policies and proposed legislation.

A career civil servant, Sue held a variety of senior policy roles in the Civil Service across a range of departments including HM Treasury, the Department for Education and the Cabinet Office. Most recently, Sue was Head of Savings and Investments at the Treasury, with responsibility for advising Ministers across a broad range of retail financial services issues. Sue also led the team supporting Don Cruickshank in his independent review of competition in UK banking markets, which reported in 2000.

Sue is passionate about people getting a better deal from financial firms. Financial products and services are essential to everyday life, yet people struggle to get to grips with a complex marketplace and some are excluded altogether. Firms do not speak in a language consumers understand; disclosure protects firms, it doesn't inform consumers. Sue sees the FCA's statutory remit as a big step in the right direction, and relishes the opportunity to use her broad knowledge of retail financial services to help the regulator put good consumer outcomes at the heart of its business.

As Chair, Sue is involved in all aspects of the Panel's work. She has a particular interest in advice and guidance and, related to this, how better disclosure and financial education can complement each other to improve the operation of financial services markets for consumers. She is also interested in ensuring financial regulation and policy take account of people on lower incomes, and vulnerable consumers.

Attendance at Full Panel meetings – 8/8 eligible to attend.

Attendance at working group meetings²⁷ – 11/14

²⁷ Note: the current Panel Chair is not a member of the Working Groups, other than the EU Working Group, but attends on an ad hoc basis as required.

Adam Phillips – Chair (Retired from the Panel 30th June 2013)



Adam has extensive experience of market research, including research into consumer financial products. He is Managing Director of Real Research, his own market research consultancy, and is Chair of the Professional Standards and Legal Committees of ESOMAR (the world association of market research professionals). He is a member of the European Investor Protection and Intermediaries Standing Committee (IPISC) consultative work group and the Financial Reporting Council's Actuarial User Committee. He was appointed to the Panel in March 2004, became Vice-Chairman in November 2005, and was appointed Chairman of the Panel in July 2009.

Attendance at Full Panel meetings – 3/3 eligible to attend.

Attendance at working group meetings – 9/9

Kay Blair – Vice Chair (Retired from the Panel 31st August 2013)



A former business journalist who began her career with the Financial Times, Kay is a consumer affairs specialist who owns and manages the Edinburgh-based marketing and communications consultancy Consentra. She is also Chair of the Scottish Housing Regulator, Chair of the Insurance and Reinsurance Stakeholder Group of EIOPA, a board member of NHS Lothian and a non-executive director of NHS24. A Fellow of the Chartered Institute of Marketing, Kay is a former member of the Scottish Consumer Council and a past non-executive director of the Scottish Ambulance Service and the Scottish Legal Aid Board. Kay was appointed Vice Chair of the Panel in October 2009.

Attendance at Full Panel meetings – 4/4 eligible to attend.

Attendance at working group meetings – 6/12²⁸

²⁸ Note: The Vice Chair was not a member of the Working Groups, other than the EU Working Group, but attended on an ad hoc basis as required.



Liz Barclay (Joined the Panel on 1st January 2014)

Liz is a broadcaster and writer specialising in consumer and small business issues and personal finance. She is also a communications trainer and coach and works with a variety of businesses in finance, health and public sector as well as charities. She is a non-executive director on the board of the Financial Services Compensation Scheme, a member of the Equity Release Council Standards

Board, Chair of Camden Citizens Advice Bureau and a trustee of the Responsible Gambling Trust.

Liz is also a consultant to several small businesses, speaks and facilitates at a range of money advice, advice charity and small business conferences, and is a special adviser to the Customer Contact Association (the trade body for public and private organisations running call and online customer service centres) and to the WOW! Awards (customer service scheme).

Attendance at Full Panel meetings – 3/3 eligible to attend.

Attendance at working group meetings – 3/3



Caroline Barr (Joined the Panel on 1st January 2014)

Caroline has worked in the financial services industry, in both retail and corporate sectors. She joined the Treasury in 2001 as a member of the secretariat to Ron Sandler's independent review into the medium and long term savings market. As a senior policy adviser, she implemented the Stakeholder Products range recommended by the Sandler Review, and worked closely with the Financial Services

Authority on the development of the basic advice regime. In addition, she led the review on the stakeholder products price cap, and was the Treasury's lead official in the development of the 2004 Pensions Act, which resulted in the setting up of the Pensions Protection Fund and the Pensions Regulator.

As Deputy Director of the Science and Industry Team at the Treasury, Caroline was responsible for spending control at the Department for Trade and Industry (DTI), and for the Science Research budget in both the DTI and Department for Education and Schools. In this role, she led her team through the development of the Science White Paper 2006 and the Spending Review 2007. She co-chaired the UK Science Forum, and oversaw the independent review of health research funding by Sir David Cooksey.

Attendance at Full Panel meetings – 3/3 eligible to attend.

Attendance at working group meetings – 3/3



Mike Dailly

Mike is Principal Solicitor and CEO of Govan Law Centre, Glasgow, one of the largest community-based charitable law centres in the UK. He is a member of the Board of the Scottish Housing Regulator and is a member of Glasgow University's Law School Advisory Panel and the Child Poverty Action Group in Scotland's Advisory Panel.

He has over 18 years post-qualified experience as a practising civil court solicitor in Scotland with experience in using the law to protect consumers' rights and tackle social disadvantage. Mike has European and international law experience, and has several academic publications to his credit. He also acted, from 2005-2008, as the solicitor to the UK unfair bank charges campaign. Mike is a former Member of the Secretary of State for Scotland's Poverty Advisory Group, and Legal Advisor to the UK Sustainable Home Ownership Partnership.

Attendance at Full Panel meetings – 10/11 eligible to attend.

Attendance at working group meetings – 19/19



Teresa Fritz

Teresa is an independent consumer finance consultant specialising in the promotion of financial information, guidance and advice to consumers. Previously, she was Head of Content and Product Development at MoneyVista.com, a financial website which helps consumers manage and take control of their finances. Before joining MoneyVista, Teresa was a Principal Researcher at the consumer organisation Which?, where she worked for 15 years researching and writing consumer reports on all areas of personal finance. She also worked on Which? campaigns such as endowment and payment protection mis-selling. In 2009 Teresa set up the Which? Money Helpline which offers money guidance to approximately 600,000 Which? subscribers in all areas of personal finance.

Attendance at Full Panel meetings – 10/11 eligible to attend.

Attendance at working group meetings – 10/11



Fiona Fry

Fiona Fry is a senior Partner in KPMG's Financial Services practice. Since taking up Partnership at KPMG, she has played an integral part in KPMG's Retail Financial Services work. She headed up KPMG's approach to Treating Customers Fairly (TCF), leading two of the biggest TCF transformations in the insurance sector. She also led KPMG's Retail Distribution Review work until the end of 2010. Over her time at KPMG, Fiona has led numerous reviews of misselling and related controls issues in banks, insurers and fund managers, including many section 166 reports. Fiona speaks regularly on such matters, including for the BBA and ABI.

Attendance at Full Panel meetings – 10/11 eligible to attend.

Attendance at working group meetings – 8/11



Debbie Harrison

Dr Debbie Harrison is a Visiting Professor of the Pensions Institute at Cass Business School, where she is an academic, author and spokesperson, specialising in pensions (DB, DC, hybrids, private sector, public sector, state and overseas pension systems), investment, risk, longevity, mortality, morbidity, demography, regulation, policy, and behavioural economics in relation to individuals and markets. She specialises in behavioural economics and the impact on society of increasing longevity. Debbie publishes regularly in leading economics journals and speaks at UK and international pensions conferences.

She is a consultant to the pensions and consumer education units of the Organisation of Economic Cooperation and Development (OECD), where she is a co-author of global analytical pension systems reports that focus on policy/regulatory reform and on raising standards of consumer education. In addition she is a trustee of the Financial Inclusion Centre, a not-for-profit think tank dedicated to making financial services products accessible and appropriate for the lower paid.

Attendance at Full Panel meetings – 11/11 eligible to attend.

Attendance at working group meetings – 13/14



Frances Harrison (Retired from the Panel 31st December 2013)

Frances Harrison is Vice Chair of the Brighton and Hove Citizens Advice Bureau and a policy adviser on financial capability for excluded young people. She was recently appointed to the Legal Services Consumer Panel and is also a member of the Finance and Leasing Association's Lending Code Group and of the Registry Trust Consumer Panel. Previously, she was Manager of Fairbridge West and she spent nine years with the National Consumer Council as Head of Policy Research and Development and Senior Policy Officer, High Street Law and Practice. Before this, Frances worked for the National Association of Citizens Advice Bureaux. She is a former Chair of Consumer Congress and the Institute of Consumer Affairs.

Attendance at Full Panel meetings – 7/8 eligible to attend.

Attendance at working group meetings – 13/14



Bill Martin

Bill is an experienced macroeconomist and is currently a Senior Research Associate of the Centre for Business Research at the University of Cambridge. With an early career with the Government Economic Service, Bill was a special adviser in the Central Policy Review Staff between 1981 and 1983. Between 1983 and 1998, he held various senior roles, including that of Chief UK Economist at the investment-banking arm of the Swiss bank UBS (formerly Phillips & Drew). He was then appointed as Chief Economist of the fund management arm of UBS until 2004. In addition, he has been a Specialist Adviser to the House of Commons Treasury Committee and Visiting Professor of London Guildhall University.

Attendance at Full Panel meetings – 11/11 eligible to attend.

Attendance at working group meetings – 11/11



Jonathan May

Jonathan is a Member of the Competition Appeal Tribunal and a Special Advisor on consumer, competition and regulatory issues for Finsbury International Policy and Regulatory Advisors. He is also a member of OFGEM's enforcement decision panel. He was a board member of Consumer Futures until it was dissolved in March 2014.

Jonathan had a wide-ranging career in the civil service, primarily at the Treasury and the Office of Fair Trading, until 2010. Jonathan was closely involved in the development of competition and regulatory policy, first at the Treasury then the Department of Trade and Industry and, since 2001, the Office of Fair Trading. At the OFT he was responsible for market studies, looking at competition and consumer issues together, and for references to the Competition Commission and, from 2006 as Executive Director and member of the Board, for policy and delivery across most of OFT's consumer and competition interests. At the Treasury, his interests included public spending, privatisation, energy, utilities and competition and he led on the windfall tax on privatised utilities and the energy and utility reviews of the late 1990s. At the DTI he brought the Competition Act into effect and led on the Competition White Paper and regulatory issues.

Attendance at Full Panel meetings – 9/11 eligible to attend.

Attendance at working group meetings – 15/17



Pamela Meadows

Outside the Panel Pamela does research and consultancy related to the labour market (including pensions) and the economics of social disadvantage (including financial exclusion). She is a Visiting Fellow at the National Institute of Economic and Social Research. She was previously director of the Policy Studies Institute, and before that spent nearly twenty years as a government economist in both the Home Office and the Department of Employment, where she was Chief Economist and Head of Economics, Research and Evaluation.

Attendance at Full Panel meetings 11/11 eligible to attend.

Attendance at working group meetings – 10/11



Niamh Moloney
(Resigned from the Panel on 31st July 2013)

Niamh Moloney is Professor of Financial Markets Law at the London School of Economics and Political Science (LSE). She specialises in EU financial market regulation and, in particular, in EU investor and consumer protection law. Niamh has published widely in this field in leading international journals. Niamh is an academic representative on the European Securities and Markets Authority (ESMA) Securities and Markets Stakeholder Group.

Attendance at Full Panel meetings – 3/4 eligible to attend.

Attendance at working group meetings – 7/8



Faith Reynolds

Faith is an inaugural Clore Social Fellow, currently undertaking research on Big Society while being based at the Institute for Government. Faith is a member of HM Treasury's Financial Inclusion Taskforce and its Money Advice Sub-group, advising Government on its financial inclusion strategy.

Until Autumn 2009 Faith was Development Manager at Toynbee Hall, East London, where she led strategic development for Financial Inclusion. She established Services Against Financial Exclusion in 2002, which has since helped over 10,000 people manage their money more effectively. In 2004 Faith founded Transact, the national forum for financial inclusion which has over 1,400 organisational members across the UK from the not-for-profit, public and private sectors. She has developed a range of resources, funding initiatives and forums to build capacity across the financial services and voluntary sectors.

Attendance at Full Panel meetings – 11/11 eligible to attend.

Attendance at working group meetings – 11/11



Jeff Salway

Jeff Salway is a freelance journalist who for the past six years has edited the personal finance sections for both The Scotsman and Scotland on Sunday. He was Personal Finance Editor for The Scotsman for nearly four years until early 2012 and was named Headlinemoney's Regional Personal Finance Journalist of the Year four times. He contributes to several other finance publications. He also picked up awards from the Association of Investment Companies and the British Insurance Brokers' Association.

Jeff previously worked at consumer finance magazine Moneywise and financial advice trade titles Financial Adviser and Money Management. He has also commented on financial issues for both TV and radio. Jeff, who is originally from South Wales and attended university in Cardiff, has been a journalist since 2003, having previously worked in data publishing at Thomson Financial (now Thomson Reuters).

Attendance at Full Panel meetings – 10/11 eligible to attend.

Attendance at working group meetings – 18/19.



Doug Taylor (Joined the Panel on 1st January 2014)

Doug is Leader of Enfield Council where he Chairs the Executive Cabinet. In addition he chairs the Enfield Strategic Partnership which brings together the statutory and non-statutory local partners to create integrated responses to local issues. He is a Governor of Capel Manor College, a Further Education College specialising in land-based courses such as horticulture. In addition he is a member of the London Sports Board which improves facilities for community sports within London, increasing participation in activity. Currently Doug is serving a second term as a member of the occupational pensions stakeholder group at the European Insurance and Occupational Pensions Authority, is a Governor of the Pensions Policy Institute, and is a member of the NEST member Panel.

Doug worked for Which? for a decade as a campaigner in the area of financial services, covering all aspects of consumer detriment and potential detriment. Prior to that he was Deputy CEO of the British Society for Rheumatology, and before that he was the National Director of the National Union of Students. This followed a time in market research for IFF Ltd.

Attendance at Full Panel meetings – 3/3 eligible to attend.

Attendance at working group meetings – 5/5



Claire Whyley

Claire is a professional researcher, policy analyst, and consumer champion. She is currently a freelance consultant helping organisations develop their capacity to understand and respond to consumer needs, and undertaking specialist research and policy development in the fields of consumer disadvantage, poverty, debt, credit regulation, financial and social exclusion. Claire was previously Head of Consumer Futures at the National Consumer Council until the end of 2008. Before that time she has held various policy and research roles at the Personal Finance Research Centre, National Consumer Council and Welsh Consumer Council.

Attendance at Full Panel meetings – 10/11 eligible to attend.

Attendance at working group meetings – 15/19

Appendix 2: Budget and expenditure

The FSA's Board agreed a Budget for Panel members' fees, expenses and any consultancy or research work we commission. We were supported by a Secretariat of 7 FTE staff. This arrangement has continued in the FCA, although the number of FTE Secretariat staff has reduced to 6.

Actual expenditure in 2012/2013 was £571,000.

	Budget April 2013– March 2014 (£000)	Actual April 2013– March 2014 (£000)	Actual April 2012– March 2013 (£000)
Panel Members' fees¹ and expenses	333	327	407
Professional fees²	166	107	85
Sundries³	208	137	158
Total	707	571	649

1. The fees exclude employers' National Insurance Contributions paid by the FCA. The fees payable to Panel Members during the year from 1 April 2012 to 31 March 2013 were as follows:

Panel Chairman	£60,000 per annum
Panel Vice-Chairman (until 31st August 2013)	£30,000 per annum
Working Group Chairs (55 days) (from 1st September 2013 increased to £26,000)	£22,000 per annum
Members whose minimum commitment is 45 days a year	£18,000 per annum
Members whose minimum commitment is 32.5 days a year (Following the retirement of the Vice Chair at the end of August the position was not filled and the Working Group Chairs took on extra responsibilities).	£13,000 per annum

2. Professional fees include research expenditure.
3. Includes the cost of recruitment

Appendix 3:

Meetings with external bodies

Advertising Standards Authority	Financial Ombudsman Services (FOS)
Age UK	Financial Reporting Council
All Party Parliamentary Group on debt and personal finance	Financial Services Compensation Scheme (FSCS)
All Party Parliamentary Group on the future regulation of consumer credit	French Insurance Association
Association of British Insurers (ABI)	FSSC
Association of Professional Financial Advisers (APFA)	Hargreaves Lansdown
Barclays	HM Treasury
BEUC	Independent Commission on Property Valuation
British Bankers' Association (BBA)	Investment Management Association (IMA)
Building Societies Association	Lending Standards Board
Centre for Social and Financial Innovation (CSFI)	Lloyds Banking Group
Citizens Advice	Money Advice Services (MAS)
CityUK	National Association of Pension Funds (NAPF)
Civil Aviation Authority	National Audit Office (NAO)
Consumer Futures	NEST
Consumers International	Office of Fair Trading
Council of Mortgage Lenders	Payments Council
Department for Work and Pensions	Personal Finance Society Consumer Insight Panel
Dutch Insurance Association	Prudential
European Banking Authority (EBA)	Short Term Lending Compliance Board
European Insurance and Occupational Pensions Authority (EIOPA)	Stepchange
European Securities and Markets Authority (ESMA)	Swedish Government
European Commission	T.Rowe Price
Experian	The Wealth Management Association (formerly APCIMS)
Fairbanking	University of Bangor
Finance and Leasing Association	Which?
Financial Legal Skills Partnership	Wonga

Appendix 4:

Events in which Consumer Panel Members have participated

18 Mar 2014 – Teresa Fritz – Age UK Financial Services Commission

7 Mar 2014 – Sue Lewis at ABCUL annual conference

28 Feb 2014 – Teresa Fritz at Which? roundtable on regulatory reform

27 Feb – Mike Dailly – RICS roundtable

27 Feb – Mike Dailly – Payments Council Forum

6 Feb 2014 – Teresa Fritz – Age UK Financial Services Commission

4 Feb 2014 – Teresa Fritz – Barclays Advisory Group

30 Jan 2014 – Sue Lewis at ILC-UK Conference Are Annuities Fit for Purpose?

21 Jan 2014 – Debbie Harrison at Money Purchase Pensions Forum – ‘Decumulation – What Options do members have as they approach retirement?’

21 Jan 2014 – Sue Lewis – Personal Finance Society Consumer Insight Panel

21 Jan 2014 – Sue Lewis and Faith Reynolds – Stepchange Personal Debt Summit

11 Dec 2013 – Mike Dailly at Westminster Briefing on the Consumer Rights Bill

5 Dec 2013 – Teresa Fritz – Age UK Financial Services Commission

19 Nov 2013 – Dan Plant at Cicero Financial Regulation Roundtable

18 Nov 2013 – Debbie Harrison at NEST Roundtable

24 Oct 2013 – Pamela Meadows at ABI Conference: Evolution or revolution – what will the FCA’s new competition remit mean for insurers

22 Oct 2013 – Mike Dailly at BBA Complaints Seminar: urging banks to seize the opportunity to change

11 Oct 2013 – Mike Dailly at Eurofinas conference on general insurance

17 Sept 2013 – Jeff Salway at New Statesman/Payments Council debate on current accounts (LibDem annual conference)

17 Sept 2013 – Faith Reynolds – Lending Standards Board Consumer Forum

12 Sept 2013 – Pamela Meadows – FOS Consumer Liaison Group

9 Jul 2013 – Sue Lewis at ABI Biennial Conference

25 Jun 2013 – Kay Blair at Joint ESA Consumer Day

24 Jun 2013 – Teresa Fritz at NEST DC Pensions Forum

1 May 2013 – Debbie Harrison at NAPF seminar on annuities and enrolment charges

Appendix 5:

Panel publications, research and responses to consultations

Position Papers

December 2013	Position paper on access to financial products
December 2013	Position paper on annuities

Research

July 2013	Ensuring consumers get a fair deal from insurance
December 2013	Consumer representation at EU level
December 2013	Report 1 Qualitative Research on annuities
December 2013	Report 2 Annuities Website review
December 2013	Report 3 Annuities Research Expert Views
December 2013	Annuities and the Annuitisation process: the Consumer Perspective

Responses to Consultations

April 2013	OFT Payday Lending: consultation on a market investigation reference
April 2013	FCA Transparency Discussion Paper DP 13/1
April 2013	HMT Consultation: a new approach to financial regulation; transferring consumer credit to the FCA
April 2013	FCA consultation – High level proposals for the FCA regime for consumer credit
May 2013	OECD consultation on Financial Consumer Protection
May 2013	FCA Guidance consultation: dealing fairly with interest-only mortgage customers who risk being unable to repay their loan
June 2013	European Parliament ECON Committee consultation on enhancing the coherence of EU financial services legislation
June 2013	HM Treasury consultation: Opening up UK Payments

June 2013	FCA CP13/8 Publishing information about enforcement warning notices
July 2013	Consultation on the Review of the European System of Financial Supervision
August 2013	FCA CP13/3 – Quarterly consultation No.1 – Mortgage Market Review: Perimeter Guidance, Professional Standards and Pipeline
October 2013	FCA CP13/4** Distribution of retail investments: referrals to discretionary investment managers and adviser complaints reporting
December 2013	FCA CP13/10 the detailed proposals for the FCA regime for consumer credit
December 2013	CP13/13 – The FCA's regulatory approach to crowdfunding (and similar activities)
February 2014	Money Advice Service's business plan consultation
February 2014	Financial Ombudsman Service's plan and budget for 2014/2015
February 2014	Competition and Markets Authority Annual Plan 2014/15
February 2014	CP13/17 Consultation on Dealing Commissions
March 2014	Banking Standards Review
March 2014	Consumer Rights Bill Call for Evidence
March 2014	Chartered Professional Standards Board consultation on Leadership Standard for Professional Bodies

Consumer Bulletin

April 2013	Issue 3 – European Bulletin
September 2013	Issue 4



Panel terms of reference

The Financial Services Consumer Panel ('the Panel') was established by the Financial Conduct Authority ('FCA') under the Financial Services and Markets Act 2000 to represent the interests of consumers.

Scope

The Panel represents the interests of all groups of financial services consumers.

The Panel provides advice and challenge to the FCA on the extent to which the FCA's general policies and practices are consistent with its general duties, as required under the Financial Services and Markets Act 2000.

The Panel focuses on the FCA's strategic and operational objectives, together with the expectations on the FCA to discharge its general functions in a way which promotes competition in the interests of consumers and to have regard to the regulatory principles.

The Panel operates independently of the FCA. The emphasis of its work is on activities that are regulated by the FCA, although it may also look at the impact on consumers of activities that are not regulated but are related to the FCA's general duties.

Membership

The FCA Board appoints Panel members, with HM Treasury's approval required for the appointment or dismissal of the Chair.

The FCA may appoint to the Panel such consumers, or persons representing the interests of consumers, as it considers appropriate.

The FCA must secure that membership of the Panel is such as to give a fair degree of representation to those who are using, or are or may be contemplating using, services other than in connection with business carried on by them. Members of the Panel are recruited through a process of open competition and encompass a broad range of relevant expertise and experience. Panel members will normally serve a maximum of two three-year terms.

The Panel's Duties

The Panel will:

Meet regularly and be available for consultation by the FCA on specific high-level issues.

Be active in bringing to the attention of the FCA issues which are likely to be of significance to consumers.

Commission such research as it considers necessary in order to help it to fulfil its duties under these terms of reference.

Request access to information from the FCA which it reasonably requires to carry out its work.

Request regular access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

Give the FCA sufficient prior warning of new consumer issues that the Panel is putting in the public domain (“no surprises”).

Maintain the confidentiality of information provided to the Panel by the FCA.

FCA Duties

The FCA will:

Consult the Panel throughout its deliberations on policies and practices that have a consumer impact.

Consider representations made to it by the Consumer Panel, and must from time to time publish in such a manner as it thinks fit, responses to the representations.

Provide a secretariat to support the Panel to enable it to operate effectively.

Agree with the Panel an annual budget sufficient for the Panel to fulfil its duties under these terms of reference.

Provide the Panel with prompt access to all information which the Panel reasonably requires in order to fulfil its duties.

Give the Panel reasonable access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

Give sufficient prior notice of new consumer issues that the FCA is putting in the public domain (“no surprises”).

Accountability

The Panel will publish an annual report on its work, which will be presented to the FCA Board.

The Panel may speak out publicly when it wishes to draw attention to matters in the public interest.

The Panel will report informally on its work to HM Treasury and other stakeholders.

Financial Services Consumer Panel

25 The North Colonnade
Canary Wharf, London E14 5HS

Tel: +44 (0)20 7066 9346
e-mail: enquiries@fs-cp.org.uk
Website: www.fs-cp.org.uk

