Financial Services Consumer Panel

Annual Report 2021/2022

An independent voice for consumers of financial services

Who we are
The Financial Services Consumer Panel (the Panel) is a statutory body set up under the Financial Services and Markets Act to represent the interests of all financial services consumers. When we refer to 'consumers', this includes individual consumers as well as small businesses. We are independent of the Financial Conduct Authority (FCA).

Our members are recruited through open competition. Members come from a diverse range of professional backgrounds, bringing expertise in consumer advocacy, law, economics, market research, financial services, public policy, communications, competition, risk management and retirement planning.

What we do
Our main job is to advise the FCA. Under our Terms of Reference agreed with the FCA, we also consider wider issues of financial services policy and legislation when they are directly or indirectly related to areas within the FCA's remit. This includes initiatives launched by UK government departments, such as the Department for Work and Pensions work on pensions freedoms and HM Treasury's review of the future regulatory framework. We provide this advice by responding to consultations, meeting with relevant teams, and engaging with a wide range of other stakeholders to inform our views. These activities are set out in sections 4 and 5 of this report.

We also commission research to support our own independent projects. We aim to stimulate debate and influence policy in areas where there are risks to consumers that are not being addressed, or gaps in understanding of how financial services affect consumers. Section 3 of this report sets out our research activities in 2021/22.

How we do it
We meet twice a month – once in full Panel meetings and once in our Working Groups (except for the month of August). FCA staff regularly present to Panel and Working Group meetings and we report our primary concerns monthly to the FCA Board. We also have many more informal meetings with teams from across the FCA. This allows us to more easily inform the FCA's work at the earliest stage of project development. We respond to almost all FCA consultations.

Outside of the FCA, we work with a wide range of stakeholders and consumer groups and our members sit on various other bodies (set out in Appendix 6). We are also a member of the FCA's Consumer Network which brings together consumer organisations to share insight and discuss policy issues. This helps us surface insight from a wide range of sources which we then strengthen throughout the year by engaging with different consumer organisations in depth on various topics.

How we measure our impact
We are most useful to the FCA when we are involved in the early development of policy. This means that most of our impact is 'behind closed doors'. Sometimes we can trace a clear line from a Panel position to a new or changed policy, but the exercise is highly subjective. We will continue to look at different ways to measure our effectiveness, including links with the FCA's own performance measurement metrics as they develop.

Our commitment to diversity
We are committed to maintaining a diverse Panel as we know that this will enable us to be most effective in our role as a critical friend. When we talk about diversity, we talk about it in the broadest sense: different perspectives, characteristics and lived experience, as well as being broadly representative of the consumers and SMEs we represent. Our first annual diversity statement is included at Appendix 2 of this report.

Find out more about us on our website: http://www.fs-cp.org.uk

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Consumer Panel Members 2021-22

From L-R: Wanda Goldwag, Jonathan Hewitt, Francis McGee, Julia Mundy, Keith Richards, Natasha de Teran, Sharon Collard, Julie Hunter, Jennifer Genevieve, Erik Porter, Johnny Timpson, Rebecca Driver, James Plunkett, Larna Bernard.

Foreword by the Chair

Consumers today face the most challenging financial circumstances seen for decades. Not only does the impact of the coronavirus pandemic and the associated uncertainty continue to be felt, but the cost-of-living crisis has added significant pressure and deepened worry for all. The ongoing wave of digitisation and innovation has created welcome new opportunities and elements of competition, but it has also introduced new risks and has the potential to exacerbate inequality. Over the last year we've kept a keen eye on what all this means for consumers and made recommendations to the FCA and others where we felt they could step in to help.

These challenging circumstances both make the development of the new Consumer Duty timely and underscore the importance of the FCA getting its implementation right. Unfortunately, we've not been convinced that the FCA would be able to properly implement the Duty under the current proposals. We've therefore spent a significant amount of time over the last year talking to the FCA and other consumer groups about how the proposals could be strengthened and what is the best way for it be supervised and enforced. The new Consumer Duty presents the best opportunity the FCA has ever had to improve consumer outcomes and we have worked hard, and will continue to work hard, to ensure this opportunity is not missed.

The new Consumer Duty has been developed in the context of several other significant changes in the regulatory landscape this year. HM Treasury continued their development of what the future of regulation would look like, including proposed changes to the FCA's perimeter in relation to Buy Now Pay Later products, funeral plans and the promotion of high-risk investments including cryptoassets. We have engaged in all of these areas (as well as the many sectors already within the FCA's remit) and called out opportunities to maximise the benefits of regulation for consumers. This has included responding in detail to 51 consultations on subjects as diverse as pensions, fraud and scams, high risk investments, appointed representatives, and new forms of digital money. We are unembarrassed to be persistent in driving home the importance of the new Consumer Duty succeeding in all elements of this work.

As the FCA's remit gets broader, so does ours, and I would like to thank my colleagues on the Panel for their continued commitment and their flexibility in responding to new and varied issues. I would particularly like to thank two colleagues who left the Panel this year – Sharon Collard and Jennifer Genevieve – both of whom had served two terms on the Panel; I am grateful to them for their longstanding commitment to our mission. I would also like to welcome four new colleagues – Dr Rebecca Driver, Johnny Timpson, James Plunkett and Larna Barnard – who bring expertise in economics, consumer research, accessibility, and digital technology.

We strive to be a Panel that is diverse in every sense and I am pleased that in this year's annual report we make our first public statement on diversity. We will continue to work with the FCA both to improve the data they hold on Panel diversity and to ensure our recruitment processes allow us to consider a diverse set of candidates that bring different perspectives, characteristics and lived experience, as well as being broadly representative of the consumers and SMEs we represent.

This year was my last year as Panel Chair. I am proud of what the Panel has achieved during my tenure: the advice and challenge it has provided as a 'critical friend' to the FCA, the valuable insights it has gained through its ambitious research programme and of course the hard work and dedication of my Panel colleagues – current and former – in improving outcomes in consumers' every day financial lives. I have no doubt my successor, Helen Charlton, will continue this important work and that consumers, including SMEs, will be all the better for it.

Wanda Goldwag
July 2022

Introduction from new Panel Chair, Helen Charlton

Joined the Panel as Chair on 1 June 2022.

I am delighted to be joining the Financial Services Consumer Panel as the new Chair, and I look forward to working with my Panel colleagues, the FCA and the many other organisations who also have the best interests of consumers at heart.

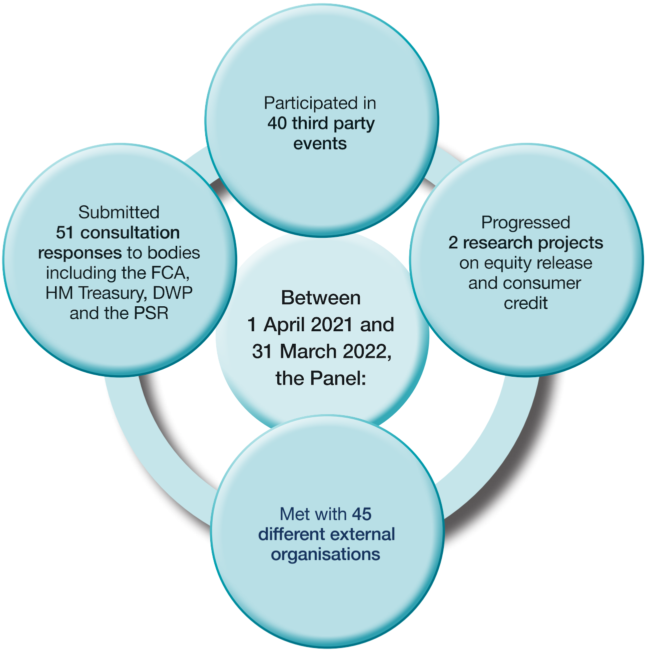
I am impressed by the quality, strength and depth of the Panel's work under Wanda's leadership, and the clear sense of commitment to improving financial services for consumers. There are interesting and important developments ahead, including the potentially transformative implementation of the new Consumer Duty, and difficult challenges too as the cost-of-living crisis continues to bite. I gladly pick up the baton in leading the Panel to address these developments and challenges.

This Annual Report is one of the key accountability vehicles for the Panel to be transparent about what it does and what impact it has. I look forward to continuing this open conversation about the Panel's role and impact throughout my time as Chair.

Helen Charlton
July 2022

Overview of our activities in 2021-22

In 2021/22 we have continued our role as a critical friend to the FCA. We provided advice and challenge about the impact of their regulation for consumers and SMEs. The diagram below summarises our activities throughout the year.



During this year, the coronavirus pandemic entered a new phase, with the initial crisis giving way to a more stable, but still testing, status quo, in which challenges for and risks to consumers remained. We therefore continued to collect these insights and evidence about consumer harm and passed them to the FCA to inform its policy making, including necessary revisions to guidance issued during the pandemic. Section 1 of this report sets out our work in relation to the pandemic and what we think the 'new normal' means for consumers.

One of the most significant areas of development in regulation over the past year has been the FCA's proposed new Consumer Duty. We remained of the view that this could be the single most important change to be made to regulation, provided it is implemented, supervised, and enforced effectively. Unfortunately, we did not think the FCA's proposals went far enough to ensure this would be the case. Section 2 sets out our work on this issue in 2021/22.

We have also continued our research into the effectiveness of the equity release market this year, as well as commissioning a new project looking at consumer behaviour in consumer credit markets. We will publish reports on both projects later this year. Section 3 of this report sets out the key aims and objectives of both projects in more detail.

Given our wide remit and unique position in the consumer landscape, we respond to almost all FCA consultations as well as many others from government departments and members of the regulatory family, such as HM Treasury, the Bank of England, the Financial Ombudsman Service, and the Payment Systems Regulator. These responses set out our views on both cross-cutting issues (Section 4) and sector-specific issues (Section 5). We also engaged with a range of stakeholders in all these areas. The activity described in these sections mostly occurred between 1 April 2021 and 31 March 2022, however, where relevant we make reference to subsequent developments or future planned work.

Finally, Section 6 sets out our priorities for 2022/23.

1. The coronavirus pandemic and beyond

As the coronavirus pandemic continued throughout 2021/22, we continued to inform the FCA about risks of harm to consumers. We also turned our minds to future risks and harms, including those arising from the cost-of-living crisis.

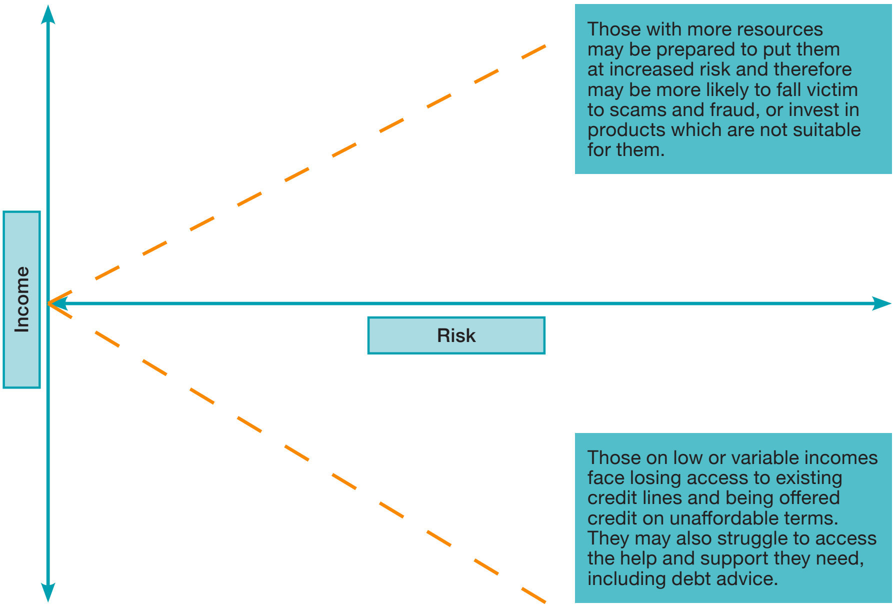
The coronavirus pandemic entered a new phase in the last year. Whilst instability continued with changing Covid rules and uncertainty about the future rose, there was more stability in terms of people's incomes and financial services more generally. We know that the pandemic is not over yet and that the 'recovery' phase will neither be smooth, nor will it be the same for everyone. The impacts of the pandemic are likely to be felt by consumers for some time. This 'recovery' phase is further complicated by the cost-of-living crisis, with soaring energy costs, rising fuel costs and inflation, all being exacerbated by the consequences of Russia's invasion of Ukraine.

As a Panel, we continued to scan the horizon for potential risks to consumers and SMEs during this stage of the pandemic. We drew on our own experiences as consumers, our personal and professional networks, and our relationships with other consumer-interest groups to bring together insight and provide regular updates to the FCA on our view of the most urgent risks. Where possible, we made suggestions for how these risks could be mitigated and highlighted opportunities for the FCA to work with other bodies to do so. For example, we said that:

- The Tailored Support Guidance may need to be updated as circumstances changed, so we recommended the FCA kept it under review.
- The impact of Covid on people's financial lives came from areas both within and outside of the FCA's remit. We therefore recommended the FCA work with others, including energy regulators and government, to ensure a joined-up approach that would ensure no one fell through the cracks.

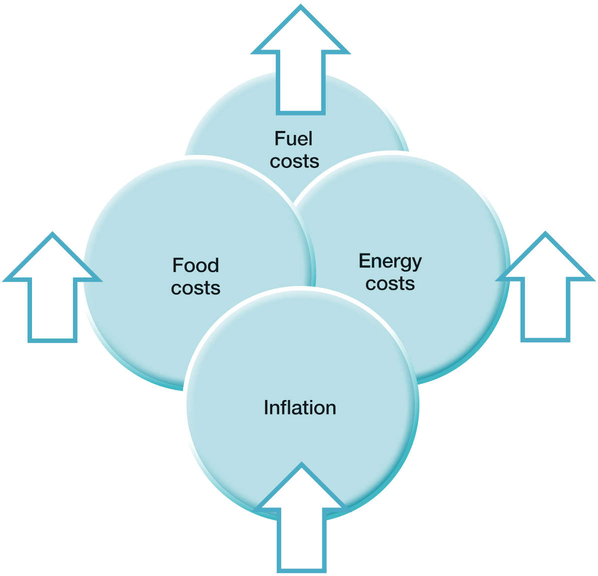
- The needs of SMEs needed to be borne in mind by firms and regulators throughout this period, as economic pressures meant the line between personal and business finance became increasingly blurred and the various government support schemes came to an end. We had regular meetings with the FCA's Small Business Unit throughout the year.

As the pandemic reached a steadier state in late 2021, we turned our minds to what the recovery period might look like for consumers. In conversations with the FCA and others, we often referred to this recovery as being 'K shaped' – with different groups of consumers facing different risks depending on their circumstances:



We encouraged the FCA to keep these different risks and experiences in mind and consider how their approach might need to be adapted to protect consumers – for example, updating the Tailored Support Guidance and redoubling efforts to tackle fraud and scams.

In recent months, many consumers have been impacted by increases in the cost of living. The cost of essential services – including food, fuel and energy – have risen significantly, driving inflation, without a corresponding growth in incomes. When Russia invaded Ukraine, many costs increased further. This placed significant pressure on consumer finances and budgets, with many being worried about how they would manage in the months ahead. This squeeze on finances also impacted SMEs, which not only face increased operational costs but also a fall in income as consumers generally had less money to spend. We expect these issues will continue to present significant challenges for consumers and they will therefore remain a focus for us in the year ahead.



2. New Consumer Duty

There has been significant progress on this issue this year, as the FCA consulted on rules to introduce a new Consumer Duty as required by the Financial Services Act 2021. We supported the aims and objectives of the FCA's proposals but remained concerned that the detailed rules and guidance would not deliver on these objectives and therefore not deliver the necessary improvement in conduct standards.

We have long advocated for a Consumer Duty to address persistent poor practice by financial services firms that has caused significant harm to consumers. The FCA's proposed new Consumer Duty (NCD) presents the best opportunity to raise the bar for conduct standards across financial services since the FCA was created. We have therefore spent significant time over the past year engaging with the FCA on how this opportunity can be maximised.

"The new Consumer Duty is the best opportunity to raise the bar since the FCA was created"

In May 2021, the FCA issued the first consultation on the NCD. In our response, we emphasised the substantial benefits of the NCD – to consumers, firms and the financial services market at large. We were pleased to see proposed wording requiring firms to 'act in the best interests of retail clients', as we had been advocating for a 'duty of best interests' for many years. We felt this wording set the highest, clearest standard for firms. We also welcomed the anticipatory nature of the NCD as this represented a much-needed shift in regulatory approach to focus on prevention of harm. We are firm believers that prevention is better than cure.

However, whilst we welcomed these top line ambitions and approach, we raised concerns about the supporting elements. We felt they undermined the overall ambition of the NCD and therefore called on the FCA to strengthen them. Unfortunately, the second consultation did not address all our concerns. In our response to this consultation, we set out our four key areas of remaining concern, and what the FCA should do to address these (summarised below). We also restated our view that the NCD should be made statutory.

	We were concerned that…	So, we said the FCA should…
1	The 'good outcomes' wording for the top line principle was weaker than the 'best interests' wording.	Use the 'best interests' wording for the Consumer Principle.
2	The lack of a private right of action critically undermined the incentive for firms to do the right thing.	Attach a private right of action to the NCD. Until this happens, the FCA should take steps to achieve the same deterrent effect as a private right of action would achieve.
3	The proposed governance and accountability mechanisms for firms were too weak.	Give a named board-level individual (e.g., a senior independent non-Executive director (NED)) full oversight and personal accountability for compliance with the NCD.
4	The proposed non-Handbook guidance was unclear and inconsistent on what firms need to do that they didn't already need to do under Treating Customers Fairly.	Provide case studies, covering a range of sectors, that show what firms would be required to do differently under the NCD compared to TCF.

We have welcomed extensive engagement with other consumer stakeholders on this important issue and are grateful for the time they have spent discussing the NCD with us and preparing their own consultation responses. Given the nature of the NCD, and its potential impacts, strong consumer participation and representation in its development has been critically important. We have been conscious that industry bodies have greater resources at their disposal and often have multiple opportunities to share their views. With this imbalance in mind, we stressed to the FCA that they must ensure fair weighting was given to the consumer stakeholder voice.

We will continue our engagement with both the FCA and consumer groups throughout 2022/23 as the final rules are developed and the NCD implemented.

3. Our research

The Panel has a small annual budget to carry out research. We aim to stimulate debate and influence policy in areas where there are risks for consumers that are not being addressed, or gaps in understanding of how financial services affect consumers.

This year we continued our research looking at the effectiveness of the equity release market in meeting the needs of later-life borrowers. We also commissioned new research looking at consumer behaviour in the early stages of engagement in credit markets.

Equity release

We continued our research exploring the experiences of consumers as they choose equity release products. We commissioned in-depth qualitative research to explore the equity release market from the perspective of consumers who purchased from a position of vulnerability. The secondary objective was to explore the role of regulated advice in securing a good outcome for particular borrowers. The research showed that without comprehensive tools and guidance, there was a risk that consumers would not make a fully informed decision that was right for their circumstances and the findings suggested that consumers who purchased from a position of vulnerability may fail to consider the long-term implications. The research was published in May 2022[1].

Consumer credit

We commissioned research to understand consumer behaviour in credit markets which we will use to inform and influence FCA thinking on consumer credit policy and supervision. The main objective of the research was to help us understand the debt portfolios that consumers had and how these portfolios came about. We focussed on the earlier part of the consumer journey when consumers were taking up debt for the first time or starting to habituate borrowing but were not (yet) in financial difficulty. From our research, we want to understand where there might be potential consumer harm in the early part of the debt journey and what drives this harm. This research is due to conclude in the summer of 2022 and we will publish our report later in the year.

1 For the research paper, see here. For our position paper including recommendations for the FCA, see here.

4. Cross-cutting issues

This section sets out the Panel's activities on cross-cutting issues. These issues span most financial services products and services and therefore affect large numbers of consumers.

Each of the areas covered below was a priority for the Panel in 2021/22 and many will remain so for 2022/23. We selected these as priorities because either they were significant policy initiatives requiring our input and/or they were the areas of greatest potential risk to consumers.

We set out our position on each issue in the teal boxes at the start of each section.

Future of regulation

The starting point for all regulatory decisions and processes should be to create an environment in which consumer harm doesn't occur in the first place. Our vision for financial services regulation is:

- Firms act in consumers' best interests.
- Firms which do not, or are unlikely to, act in this way should not be admitted to the market. If they are already in the market, they should be robustly sanctioned or barred.
- Consumers know when they are (and are not) protected and what "protected" means.
- Consumers are protected from new and emerging harms because regulation keeps up with technological change and regulators have the ability to act swiftly.
- Consumers get prompt and commensurate redress when firms don't meet the best interests standard.
- Innovation is supported and encouraged insofar as it benefits consumers. New products and services should be appropriate and come with suitable protections.

- Regulation recognises the wider socio-economic and demographic context it exists in. This includes the diversity of consumers' lives, their relative skill and knowledge compared to firms, the complexity of products available to them, and the impact of non-financial policies on them.

HM Treasury's Future Regulatory Framework Review

In February 2022, HM Treasury published proposals arising from the Future Regulatory Framework Review. We remained of the belief that the new Consumer Duty (NCD) should be the cornerstone for this framework.

In our response, we encouraged HM Treasury to ensure that regulation worked for consumers: protecting consumers is one of the key aims of regulation and consumers' ability to navigate and have trust in the regulated financial system was vital. To ensure this protection and trust, we called for HM Treasury to do more to bring the consumer voice into both their own consultation process and into the regulatory framework at large. This was a theme throughout several of our priority areas over the last year, including the NCD as outlined in Section 2 above.

We also repeated our call for the FCA to be required to "have regards to" financial inclusion as we believe this would help make financial services, and the regulation of financial services, work better for everyone. We say more about this in the 'access and inclusion' section below.

In addition to our own ideas for change, we responded to the proposals made by HM Treasury. One of those we were most concerned about was HM Treasury's proposal to introduce a growth and international competitiveness objective for the FCA. We have long been of the view that any such objective would lead to a trade-off between consumer protection and competitiveness – and therefore dilute consumer protections. Whilst the objective was proposed as a secondary one, our concerns remained.

A competitiveness objective would lead to a trade off with consumer protection – and ultimately dilute it

We also expressed concern about the cumulative effect of proposals for the scrutiny of regulation, including by Parliament, HM Treasury and potentially independent oversight Committees or Panels. We felt HM Treasury's proposals in this space compromised regulatory independence, increased the complexity and cost of regulation and acted as a barrier to faster and more agile regulation. It is important the FCA is able to act fast to address harm and keep up with change and innovation.

Some of HM Treasury's proposals related to our work and that of our colleagues on the other Independent Panels[2]. We welcomed the proposals to increase transparency about what we do, as transparency is critical to the effective scrutiny of and trust in regulation. This annual report plays an important part in explaining how we work. The FCA formally responds to the issues we raise in this report and publishes this response on its website. In addition, we publish all our consultation responses, research, position papers on the publications page of our website. We also have a page about our members.

FCA Transformation

In addition to changes to the broader regulatory framework being considered by HM Treasury, the FCA also made significant alterations to how it will regulate in the future. The FCA has stated its ambition to transform into a faster and more agile regulator. This year it consulted on two changes to how it operates that will help deliver this. We supported both changes and highlighted how we thought they could be used to prevent harm occurring in the first place – the ultimate ambition of the new Consumer Duty.

(i) In July 2021, the FCA proposed changes to its decision-making processes whereby responsibility for certain key decisions was shifted from a Board Committee to Executive functions. In our response to the consultation, we supported these changes and observed that they could help drive the FCA's work to prevent harm occurring in the first place – a cornerstone of the new Consumer Duty.

(ii) The FCA also consulted on how it would use its new cancellation and variation of permissions powers that it had been granted under Schedule 6A to the Financial Services and Markets Act 2000. Again, we were supportive in our response but continued to think the FCA could be more proactive in using its new powers in order to better prevent harm.

Another element of the FCA's transformation is for the regulator to be clearer on the outcomes it expects and the metrics it will use to measure them[3]. We believe that publishing key metrics to demonstrate how FCA interventions, policies and changes to its regulatory approach is critical to build confidence in the consumer protection system and incentivise good conduct from firms. We've therefore called for the FCA to monitor and publish key performance metrics in most of our consultation responses. We look forward to seeing the FCA rolling out this approach

2 The Practitioner Panel, Smaller Business Practitioner Panel, Markets Practitioner Panel and Listing Authority Advisory Panel.

3 See FCA Chief Executive Nikhil Rathi's speech here: https://www.fca.org.uk/news/speeches/transforming-forward-looking-proactive-regulator

over the coming year and we will use these metrics to enhance our own role as a critical friend and hold the FCA to account.

Access and inclusion

We think that:
- Everyone who uses cash, through necessity or choice, should retain easy access to and the ability to use cash. This also applies to SMEs, who need to deposit and withdraw cash to run their businesses.
- Outcomes for consumers in vulnerable circumstances should be at least as good as those for other consumers.
- Regulators should encourage the widespread adoption of an inclusive design approach across the entire customer journey, so that products and services are accessible to, and useable by, the greatest number of people with a diverse range of needs and capabilities.

Access to cash

We responded to HM Treasury's consultation on legislative proposes to protect access to cash. We made the following key points in our response:

In order for regulators and government to develop sustainable long-term solutions, wholesale issues around competition and financial crime in the payments industry need to be resolved.
Industry and policy makers must take a consumer centric approach and gain feedback from local communities and the lived experiences of consumers.
The cash landscape must remain competitive for those that wish to use it.
Many consumers reliant on cash were in vulnerable circumstances and this must be taken into consideration. There was overreliance on geographic access requirements.
Consumers' access to cash was dependent on SMEs' willingness to deal with cash. Steps must be taken on the SME side to keep the cycle of cash flowing.
A collaborative approach to deliver shared suites of banking services was likely to provide the most effective and sustainable solution for consumers. Use of the Post Office represents one such solution, but not the only one.
One single regulator needs to be given overarching responsibility for access to cash.
There must be sufficient flexibility in new rules to allow for different preferences and needs.
Consumer harm is already occurring at a rapidly increasing rate – swift action is needed.

In addition, the Lending Standards Board (LSB) issued a consultation on the Access to Banking Standard Review. The Access to Banking Standard is an industry agreement which aims to help minimise the impact of bank branch closures on customers and local communities. In our response, we highlighted areas of inconsistency between the LSB's guidance and the FCA's guidance on bank branch closures. This had the potential to confuse both firms and consumers and therefore reduce the overall effectiveness of both sets of guidance. We called for a single set of guidance combining the scope, content and ambition of both the FCA and LSB guidance (subject to the improvements we suggested in our response).

Consumers in vulnerable circumstances

Consumer vulnerability remained one of our priorities over the last year. In all our responses to consultations we have encouraged policy makers to consider the needs of consumers in vulnerable circumstances and how any new proposals impacted these consumers.

We have also met with the FCA and the charity, Surviving Economic Abuse, to understand the potential impact of economic abuse on consumers in the financial services sector and how FCA rules and policies could better protect victims of economic abuse. Economic abuse is a complex and often hidden harm which could have a significant impact on consumers' lives – financial and otherwise. We've therefore welcomed steps that shine a light on the issue, including for example the FCA's Insight article published in May 2021. We will continue to call out opportunities for regulators to help victims of economic abuse in the year ahead.

Financial inclusion and inclusive design

We continued to call for the FCA and other policy makers to adopt an inclusive design approach and encourage firms to do the same. The widespread adoption of inclusive design principles would benefit all consumers, not just those who were vulnerable or had traditionally been excluded or disadvantaged.

> Inclusive design benefits everyone, not just those who are vulnerable or have traditionally been excluded

We repeated our calls for the FCA to be required to have regards to financial inclusion, as this would help the FCA to embed an inclusive design approach across all of its functions, not just in specific policy or project areas. In February 2022, we co-signed a letter to the Economic Secretary to the Treasury urging him to ensure the FCA had a cross-cutting "must have regard" to financial inclusion. This should include a statutory duty to report to Parliament annually on:

- The state of financial inclusion in the UK
- Measures the FCA had taken, and planned to take in the future, in order to advance financial inclusion

- Recommended additional measures which could be taken by government and other public bodies to promote financial inclusion.

Redress and compensation

We think that:
- Consumers should have access to prompt and commensurate redress.
- Consumers should be made able to better understand the roles of the regulatory family so that they know who to go to when things go wrong.

Claims Management Companies

In April 2021, we responded to the FCA's consultation on restricting the charges levied by Claims Management Companies (CMCs) for financial services and product claims. We recognised the important role CMCs play in offering access to redress that consumers may not have the confidence to seek on their own. But we have long been concerned by the unfair conduct of some CMCs, including excessive charges. We therefore strongly supported the introduction of a fee cap and better, clearer disclosures around fees. We also called for more to be done to make consumers aware that they could complain directly to firms and did not need to use a CMC.

We are aware these rules are the subject of Judicial Review and we supported the FCA's bold stance in pressing ahead with the implementation instead of pausing to wait for the outcome of the review. This was a good example of the bolder approach the FCA has said it would take as part of its transformation.

As well as excessive fees, another area of poor conduct amongst CMCs is 'phoenixing'. Phoenixing occurs where individuals from financial services firms which have gone out of business later reappear in connection with CMCs and charge customers for seeking compensation against their former firm's poor conduct. We believe this behaviour is particularly egregious as it allows CMCs to profit from past misconduct. The FCA consulted on proposals to ban this practice, which we strongly supported. However, we expressed concern in our response that the ban as proposed would allow CMCs who had already phoenixed to continue to profit from the practice. We therefore encouraged the FCA to take further steps to ensure this would not happen.

The work of the Financial Ombudsman Service

Each year we engage with the Financial Ombudsman Service (the Ombudsman Service) to discuss their annual plan and budget for the year ahead. We met with the Ombudsman Service in December 2021 to discuss their plans and responded to their formal consultation in January 2022. We welcomed the changes and improvements proposed by the Ombudsman Service but called for them to do more to publicise their work in order to provide greater incentive for firms to change their behaviour. Again, this would help prevent harm occurring in the first place which was not only better for consumers but would also reduce the overall cost of the redress system.

We also noted the Wider Implications Framework which provided a structure for deeper collaboration on matters of common interest to achieve better outcomes for consumers and SMEs. We look forward to seeing the results of this framework over the year ahead.

The Ombudsman Service also made temporary changes to reporting the outcome of resolved complaints this year. These changes aimed to help reduce the impact of the substantial increase in customer demand for the Ombudsman Service arising from the Covid-19 pandemic. In our response to the consultation, we expressed concern about the proposed changes. We felt they could result in unfair outcomes for consumers and a loss of transparency around and insights gained from Ombudsman Service data. We stressed how important this data was in driving the prevention of harm, as discussed above. We also felt the changes may mask capacity issues within the Ombudsman Service which still needed to be addressed.

The Financial Services Compensation Scheme

In May 2021, we met with the Financial Services Compensation Scheme (FSCS) to hear about their annual plan and strategy for the year ahead. We were pleased to hear that the FSCS was also focussing on a prevention agenda, which aligned well with the focus of the Ombudsman Service and the FCA. We have long called for greater coordination between members of the regulatory family and this overlap in focus provided good opportunity to do so. The sharing of data would be a key step to facilitating coordination and we outlined this in our discussions with all parties.

Consumer understanding of regulatory protections

This year the FCA conducted research into consumers' understanding, expectations, perceptions and experiences of engaging with the regulatory family – including the FCA, the Ombudsman Service and the FSCS. We were pleased to be involved in the research and have supported the FCA in sharing the insights gained internally and using them to challenge existing approaches and assumptions in regulation, such as what the 'average consumer' really understands.

Small businesses as users of financial services

We represent the interests of both individual consumers and SMEs in financial services in the UK. The boundary between what is and isn't protected for SME consumers is complex and even less straightforward than for individual consumers. We are concerned that the SME experience of financial services and regulation is not well understood.

We continued to meet with the FCA's Small Business Unit throughout the year. Our conversations focussed on the experiences of SMEs as the pandemic entered a new phase and money lent under the various support schemes fell due. We highlighted the continual blurring of SME and personal finances, which was more likely during the pandemic when many SMEs used personal finance to support their businesses. We encouraged the FCA to take account of this when assessing firms' treatment of SMEs.

We continued to highlight issues of particular relevance to SMEs throughout our consultation responses such as:

- Reminding HM Treasury that the Future Regulatory Framework must be fit for SMEs as well as individual consumers
- Emphasising the role SMEs played in terms of access to cash; and how the dwindling access points affected them.
- Calling for the requirements of the Contingent Reimbursement Model code and future legislation on Authorised Push Payment scams to be applied to SMEs.

We make further reference to our sector-specific concerns relating to SMEs throughout this report.

5. Sector-specific issues

This section sets out the Panel's activities by sector within the financial services industry. The Panel's remit is not limited by sector and so in theory we cover every aspect of the industry, however, we focus our limited resources on where we see the greatest risk of harm to consumers and where we can have the greatest impact by influencing policy initiatives.

We set out our vision for each sector in the teal boxes at the start of each section.

Consumer credit

Our vision for the consumer credit sector is that:

- harm caused to consumers in credit markets is reduced
- credit information is not biased towards adverse and outdated information
- consumers understand the products available to them and can make informed decisions about suitability, long term implications and costs
- consumers are supported when they face difficulties with repayment

We continued our frequent conversations with the FCA teams regarding consumers' experience in consumer credit markets. These discussions have centred on ongoing issues such as affordability, suitable alternatives to high-cost credit, fair and flexible treatment of customers in financial difficulty and greater access and inclusion. We expect the need for credit to increase as the cost-of-living crisis further squeezes consumer finances and will remain engaged with the FCA on this throughout the year ahead.

To better understand the experiences of consumers using credit products, we have commissioned our own research, as set out in Section 3 of this report.

Buy now pay later

The primary policy development in the consumer credit market over the last year was the proposal to bring buy now pay later (BNPL) products within the regulatory perimeter. This was in follow up to the recommendations made in the Woolard Review.

We responded to HM Treasury's consultation on the future regulation of BNPL products and said that:

- Consumers, as well as SMEs offering BNPL on their platforms, would benefit from BNPL being brought within the regulatory perimeter, especially as the new Consumer Duty would then be applied to BNPL firms.
- It must be made clear to consumers what being regulated would mean in the context of BNPL, as well as which credit products remained outside the perimeter. Access to products which remained outside the perimeter (such as interest-free finance for essential costs such as insurance premiums and the purchase of white goods) must not be jeopardised.
- Whilst HM Treasury's proposals for the regulation of BNPL seemed proportionate, much of the detail would be developed by the FCA and the pace of change and innovation in the market would be challenging for regulation to keep up with.

We will engage with any future FCA consultations on this issue as they are published over the next year. We are disappointed in the time it is taking to bring BNPL within the perimeter and are concerned about harm occurring in the interim. There is also a risk that by the time BNPL comes within the FCA's perimeter, the market will have changed.

FCA approach to compromises

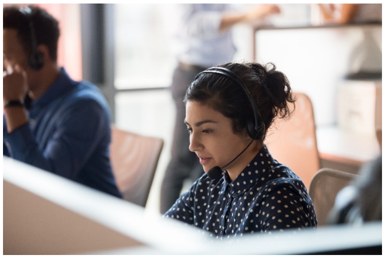
In January 2022, the FCA consulted on its 'approach to compromises'. 'Compromises' are proposed by firms when they do not have the resources to meet their liabilities to consumers, in particular redress liabilities. This has recently been a high-profile issue in consumer credit markets where the declining profitability of some product types has meant some firms were unable to pay redress owed to consumers. We welcomed the FCA's guidance as it would bring greater consistency to the assessment of compromises, and therefore result in more consistent outcomes for consumers. However, we called for greater clarity from the FCA on key elements of their assessment. We also emphasised that the FCA's activity in this area needed to be made more readily understandable to those seeking redress – as they were the ones ultimately impacted by the guidance.

Debt advice

Our vision for the mortgages market is that:

- Consumers should understand the mortgage products available to them and be able to make effective decisions about their existing products.
- There should be a reduction in barriers to switching.
- Issues facing mortgage prisoners must be addressed as a priority.

As the various coronavirus support schemes came to an end, we remained concerned about an increase in demand for debt advice. Many consumers would have struggled with their debt for some time and many more who were previously coping would now have been pushed into difficulty by the long-term impacts of the pandemic and the cost-of-living crisis. We met with the FCA and Money and Pensions Service to understand the system's capacity to meet this demand. As the cost-of-living crisis continues to bite on consumer finances, we anticipate further pressure on debt advice providers. We will monitor this in the coming year and raise ongoing and emerging concerns with the relevant bodies.



In addition to our capacity concerns, we remained concerned about the overall quality of debt advice and poor consumer outcomes in the market. We supported the FCA's proposed ban on fees charged by debt packagers as a positive step to reducing harm caused to consumers, though felt the scope should be extended to include debt management and not-for-profit debt advice firms. This would eliminate incentives for debt packagers to become not-for-profit advice providers and/or establish not-for-profit entities in order to circumvent regulation. We also called for the FCA to take urgent action to implement quality assurance monitoring in the debt advice market.

Mortgages

Our vision for the mortgages market is that:

- Consumers should understand the mortgage products available to them and be able to make effective decisions about their existing products.
- There should be a reduction in barriers to switching.
- Issues facing mortgage prisoners must be addressed as a priority.

We continued our discussions with FCA teams about the fair treatment of mortgage customers, including mortgage prisoners. The main points we discussed included:

- The narrow definition of mortgage prisoners, which was overly focussed on the historic problem and excluded new mortgage prisoners such as people on furlough or whose homes became unmortgageable as a result of flammable cladding. It also excluded those who might have missed one or two payments recently, which was increasingly likely given the economic circumstances created by the coronavirus pandemic and the fact these people would likely have already been in financial difficulty due to being trapped on high interest rates and struggling with monthly payments.
- The potential risks around the buoyant mortgage market post-lockdown which could lead to future problems if interest rates increased and borrowers had taken on more debt than they could afford.
- The importance of ensuring the tailored support guidance for mortgages remained fit for purpose as the pandemic and the cost-of-living crisis evolved.

Payments

Our vision for the payments sector is that:

- Access to payments should be afforded to all. Payments systems should work smoothly and securely for all transactions for all consumers who use them. Consumer harm should be minimised in the event of firm failures.
- The market should be guided by the following principles:
  - **Accessibility** - All UK consumers must be able to pay and be paid. The system must be accessible to all.
  - **Fairness and affordability** - The cost of making payments should not exclude particular consumers, businesses of transaction types. It should not cost more for the poorest to pay.
  - **Reliability** - Individual payment systems must be robust and reliable with appropriate redundancy measures in place to ensure continuity of service in case of need.
  - **Sustainability** – The Payment System should be operated on an economically sustainable basis. The failure of individual payment systems should not result in consumer losses.
  - **Safety, security and consumer protection** – Individual payment systems must be safe and secure. The Payment System should offer at least a minimum level of protection to consumers, including against fraud and losses as a result of firm failure.
  - **Transparency** – Individual payment systems' costs and protections must be clear and easily understandable. Individual payment systems should offer full transparency about how end users' data is used, by whom and to what end.

There was a significant amount of regulatory and policy focus on payments over the last year. This largely centred on three themes: security, strategy and innovation. We set out our engagement with the various consuiltations under each of these three themes below:

1	**Security** Like policymakers, we remained concerned about the significant harm being caused by authorised push payment (APP) scams and called for more to be done to close the protection gaps that allowed APP scams to occur as well as to ensure victims were reimbursed. We therefore responsed to consultations from the Payment Systems Regulator's (PSR) and the Lending Standards Board calling for impropvements to the Contingent Reimbursement Model Code, better collaboration with overseas regulators and stronger requirements for receiving banks in relation to reimbursement and prevention. We also called on the PSR to extend the transparency requirements around publishing APP scam data across the entire industry and make the reimbursement of APP scam losses be made mandatory. We also responded to proposed improvements to Strong Customer Authentication (SCA) and Confirmation of Payee (CoP) both of which were critical measures in ensuring the security of payments. In relation to SCA, we supported the FCA's proposals around 90-day reauthentication and mandating the use of dedicated interface. We also made some more general observations around the way data was handled as payments are essentially about data. We said it was essential that consumer data was managed securely, transparently and with full informed consent. In relation to CoP, we called for the expedited implementation of CoP across the payments landscape as we recognised CoP's role in embedding a 'safety fist' approach to building payments systems.
2	**Strategy** Given that every consumer interacts with payment systems in some form, we took keen interest in the PSR's published strategy. Overall our response was supportive of the outcomes and priorities and we were encouraged to see success measures set out at the consultation stage. Our suggestions for refinement of the strategy centered on the following things: • Competition and innovation must not come at the expense of consumer protection. This should be borne in mind when the PSR intends to stimulate competition, whether that be by encouraging the use of interbank payments or allowing for differential pricing for different payment methods[4]. • The PSR should explore how payments data is being used as a priority given the sensitivity and value of the data and the volume of consumers making digital payments.

4 For our further comments on interbank payments, see also this response to the PSR's call for views

- The PSR should encourage focus on the protection of data including ensuring data is kept securely, investment is made in cyber defences on an ongoing basis and that consumers are communicated with clearly and protected in the event of an incident. The PSR should collaborate with other regulators to better understand emerging business models and whether these are sustainable.
- In relation to the role of Pay.UK, governance is key. The PSR should ensure Pay.UK is appropriately supervised; consumers are properly represented throughout the governance and operations of Pay.UK; Pay.UK has the ability to enforce its rules and its rules cover the full spectrum of interbank payments.

3

Innovation

Of the many innovations in the payments sector, a key one for consideration this year was digital money. In June 2021, the Bank of England (the Bank) published a discussion paper on new forms of digital money which set out the Bank's emerging thoughts, including on a UK Central Bank Digital Currency (CBDC). Whilst we agreed with the potential benefits of new forms of digital money set out in the Bank's paper, we noted a number of issues that if not addressed, would undermine delivery of these benefits. These included:

- **Safety** – the risk of fraud and theft was not unique to digital money, but was widespread and multiplying and so must be addressed
- **Money** – consumers didn't currently differentiate between central and commercial money and largely didn't need to, however, the emergence of new forms of so-called 'money' could confuse their understanding of what money is. Consumers must understand and have trust in new forms of money and be able to distinguish between money that is guaranteed by the Bank of England and 'money' that is not.
- **Access** – new forms of digital money may further complicate access to cash issues and make it impossible or more expensive for consumers to access products and services that prioritise digital-only payments.
- **Privacy** – the opportunities to monetise payments data would increase over time. Important design choices related to data and privacy would need to be made, and the Bank would need to work with other authorities and society to ensure consumers were better equipped to make informed decisions.

- **Exchangeability** – there should be a cost and friction-free exchangeability of competing digital moneys, a CBDC if there is to be one, and cash.

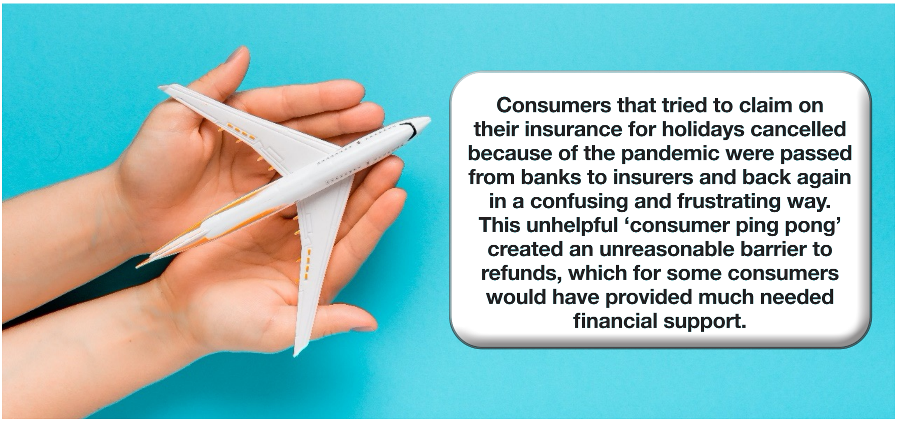
We also said that during any transition to digital money, the steady supply of credit must be ensured.

General insurance

Our vision for the general insurance market is that consumers:

- are treated in their best interests
- have a clear understanding of their insurance products
- receive fair value
- are aware of any commission paid to an intermediary
- are able to make claims as simply as they can purchase the product

Our ongoing concerns about poor conduct in the general insurance sector have unfortunately only been further evidenced during the coronavirus pandemic. We set out just one example of this in our response to the FCA's initial consultation on the new Consumer Duty:



We were concerned that issues such as this would negatively impact consumer confidence in insurance markets and could lead to more consumers ultimately being uninsured. This was an issue we raised in our frequent conversations with the FCA teams responsible for insurance policy. Other topics we have discussed with the FCA in relation to insurance include:

- firms' poor responses to the guidance issued by the FCA during the Covid-19 pandemic, particularly on assessing the value of insurance products.
- whether firms were ready for the implementation of the General Insurance Pricing Practicies remedies from January 2022.
- the hardening of the Professional Indemnity Insurance market which was ultimately leading to reduced competition and choice for consumers and SMEs. This was a significant concern for us and we joined with our colleagues on the Smaller Business Pracitioner Panel in bringing it to the attention of senior leaders at the FCA. We expect to continue discussions on this issue in the year ahead.
- poor outcomes for consumers in vulnerable circumstances, such as recently bereaved consumers who were facing unnecessary and distressing barriers to amending policies; and those with a critical illness whose claims under critical illness cover were being unfairly denied by firms.
- continued monitoring of outcomes for SMEs in relation to Business Interruption Insurance claims

Pensions and retirement products

Our vision for pensions and retirement products is that:

- Consumers have clear information about their pensions and make better informed decisions about their later life options holistically.
- Consumers have the ability to access the right advice at the right time during their journey
- Pension products offer value for money

Information and advice in the pensions market

We support all measures that make it easier for consumers to understand and make decisions about their pensions. This includes the provision of better, clearer information and guidance, as well as good quality regulated advice. With this goal in mind, in the last year we have:

- supported DWP's proposals to simplify annual statements and create a consistent approach across schemes.
- called on the FCA and HM Treasury to go further than 'stronger nudges' when looking to increase take-up of advice and guidance. We were not convinced nudges were enough to alter consumer behaviour and therefore we responded to the Work and Pensions Committee's Call for Evidence on accessing pensions and set out some key considerations for when consumers seek to access their pensions.
- supported the FCA's proposed improvements to outcomes in non-workplace pensions such as reducing the number of default options available and using cash warnings to prompt consumers into considering other investment options with the potential for growth.

Consumers' journey in pensions

We responded to the FCA and The Pension Regulator's (TPR) joint call for input on the pensions consumer journey which looked at how consumers' engagement with pensions could be improved. We identified key points in the journey when firms should check in with consumers and offer advice and support to allow consumers to assess whether their current plans would meet their needs in retirement. We also cautioned against over-focussing on consumer biases when considering consumer engagement because to do so put an unfair expectation on consumers and inferred they were responsible for poor outcomes, which deflected the focus from firm behaviour and issues inherent in the market.

Value for money

In September 2021, TPR and the FCA issued a joint discussion paper considering how to ensure Defined Contribution pension schemes delivered value for money to their members. This has been a topic of great importance to the Panel for some time. In our response, we said we were pleased to see TPR and the FCA considering:

- A requirement to provide information on age-based cohorts, as the needs of specific groups of members may be very different
- Cooperation between regulators and emphasis on achieving consistency in the market
- A requirement to include net returns in the information schemes are required to publish. We also called for information to be provided on risk-adjusted returns, if the approach to risk adjustment was both consistent across the market and effective at measuring the on-going riskiness of the scheme.

The FCA also issued a consultation on making it easier for Independent Governance Committees (IGCs) to compare the value for money of pension products and services. We welcomed the proposals and additionally highlighted that:

- ESG factors should be considered when assessing value for money
- GCs should be obliged to maximise the value for money they offer to members
- IGCs should be obliged to publish their value for money analysis alongside an explanation of how their actions have driven value for money.

Scheme charges are of course a key part of overall value. We considered DWP's proposals around permitted charges within Defined Contribution pension schemes. Whilst we agreed with DWP's assessment of harm, we questioned whether the proposed changes to charging were required given the incoming Pensions Dashboards and the strategies around small pension pots.

Fraud and scams in pensions

We are concerned about fraud and scams in all aspects, and the effects can be especially acute when consumers lose money that was intended to fund their retirements. In November 2021, DWP issued a consultation on proposals to protect members from pensions scams by requiring that certain conditions are met before transfers are made. We responded to the consultation to say we felt the proposed regulations struck a good balance between members' freedoms and ease to transfer their pensions; and ensuring their investments were protected.

Consumer Investments

Our vision for consumer investments is that consumers are:

- able to access investments that will meet their needs, support their investment goals and offer value for money
- supported in their decision-making by robust information, with access to the right guidance and advice
- able to compare options and make effective choices about how to manage their finances, both at the point of sale and beyond.

We continued our frequent conversations with the FCA and others on consumer investments this year. We responded to 10 consultations on issues in this market such as improvements to financial promotion rules for high-risk investments, protecting consumers looking for sustainable investments and the creation of a long term asset fund. We also engaged with improvements to the regime regulating Appointed Representatives, which are often used by investment managers. Our work in each of these areas is set out below.

Financial promotions of high-risk investments, including cryptoassets and mini-bonds

Financial promotions are key drivers of decision making when consumers determine where to invest. HM Treasury and the FCA have rightly recognised that improvements are needed in the regulation of this area, especially in relation to high-risk investments where consumers face the most substantial losses if their investments go wrong. However, as we said in our responses to the FCA's discussion paper and HM Treasury's consultation in this area, the proposals need to go further to properly address the harm. We said that:

- The use of self-certification should cease as it had not adequately protected consumers. In the meantime (or if retained), the terminology should be changed to use more neutral descriptions, such as "highly experienced" rather than "sophisticated". We were pleased to see the FCA support our concerns in relation to self-certification in its consultation paper on strengthening financial promotion rules[5].

- There should be an automatic indexation mechanism for thresholds, such as those associated with the definition of high-net-worth investors, in order to ensure that thresholds did not become misaligned in future.
- We were pleased to see the FCA use consumer testing to design and inform regulation as we have long been advocates of this approach. Changes to investor statements should be tested with consumers before final changes are introduced, with testing focused on whether the changes would actually deliver improvements in decision making, rather than whether they are simply popular[6].

We reiterated these concerns in our response to the FCA's consultation on strengthening the financial promotion rules for high-risk investments, and added that whilst we supported the introduction of stronger risk warnings and positive frictions, we felt this should be extended to cover existing customers, not just those investing with a firm for the first time.

We also supported HMT's proposed improvements to the regulation of non-transferrable debt securities (or 'mini-bonds' as they are more commonly known). In our response we set out the four main drivers of harm in this market that HMT should address:

1	The investment opportunity may be fraudulent, or in some way misleading.
2	The way that the promotional information was provided may make it hard for potential investors to understand risks and compare investment opportunities.
3	The protections available to potential investors in mini-bonds differed depending on factors such as the route to market and whether they took financial advice, which may lead to confusion.
4	The definitions used to define a high net worth individual and the use of self-certification to determine if an investor is sophisticated may not have provided adequate protection, resulting in investment by consumers who either did not understand the risks, or could not afford to undertake the risks.

5 https://www.fca.org.uk/publication/consultation/cp22-2.pdf p9

6 Note also our response to the FCA's proposals to improve the regulation of Packaged Retail and Insurance-Based Investment Products (PRIIPs), in which we highlighted the importance of consumer testing being done on a range of options early in the policy making process (rather than on individual options once decisions have been made).

Sustainable investments

In light of climate change, many consumers are looking for more sustainable investments. Given the consumer appetite for 'green assets' there is an increasing risk of investment being mis-described as 'green' in order to attract customers, who may end up making investments that do not align with their aims. We therefore supported proposals to enhance climate-related disclosures around investments, including pensions, so long as the disclosures were transparent, easy to understand and useful for consumers, allowing them to make meaningful comparisons between the different products' green credentials.

In January 2022, we responded to the FCA's discussion paper on Sustainability Disclosure Requirements and Investment Labels. The proposals aligned well with our own vision for the consumer investments market, though could be strengthened if:

- the disclosure documentation was user-tested with consumers
- the approach was applied to all investment products, not a subset
- the resulting classification system was consistent across providers
- the measurement system used to underpin the classification and labelling took account of outcome measures, not just activity measures
- the 'responsible' classification was dropped as it would be confused with 'sustainable'
- climate change reporting is combined with reporting on other sustainability criteria such as pollution and social responsibility; so that consumers can make informed decisions based on their priorities.

We have provided further input throughout the year via our membership of the FCA's Disclosures and Labels Advisory Group.

Long term asset fund

This year the FCA consulted on creating a new category of open-ended fund called the long-term asset fund, designed to encourage consumers to invest efficiently in long-term illiquid assets. We said the proposals brought much needed clarity to funds that invest in longer term potentially illiquid assets, and where the value was purely driven by the underlying net asset value. As with all investments, we championed clear, concise and easy-to-understand disclosures around these new funds.

Appointed Representatives

Both the FCA and HM Treasury consulted on improvements to the regulatory regime for appointed representatives (AR), which are often used by investment management firms. We have long advocated for a review of the AR regime and agreed [7] with HM Treasury's assessment of the risks in the AR market, namely that:

- despite use of the terms "principal" and "representative" there was no requirement that an AR in fact represented or acted as agent of its Principal.
- because the scope of the appointed representative's appointment was set out in the terms of a private contract, there was no straightforward way for the FCA or a customer of the AR to know the scope of the AR's right to perform regulated activities, yet if an AR acted outside the scope of the agreement the customer may be unprotected.
- there was no limit on the amount of business that an appointed representative could carry on in that capacity – indeed, its regulatory income could exceed that of its Principal with this increasing risk of conflict and harm.
- The ability of ARs to have more than one Principal complicated the monitoring, supervision and control for Principals and the FCA.

Funeral plans

Our vision for the funeral plans market is that:

- Consumers receive fair and consistent treatment across the market, with consumers able to make informed decisions about their plan

One of the significant developments in the FCA's regulatory perimeter in the last year has been for funeral plans to come under its jurisdiction. We welcomed this step given the growth of the market, the harms occurring already, and the likely vulnerability of many consumers engaging in this market. It was clear to us that FCA intervention was needed to protect consumers and ensure the market operated well.

Bringing funeral plans under the FCA's remit also gave consumers access to redress should things go wrong, including via the Financial Ombudsman Service and Financial Services Compensation Scheme. We highlighted the importance of this in our responses to both the FCA and HM Treasury. We noted that prompt redress, including where a funeral plan provider failed, was crucial in this market to minimise distress to consumers and ensure those that had passed away received a funeral without delay.

7 For our response to the FCA's consultation see here. For our response to HM Treasury's consultation, see here.

6. Our priorities for the year ahead

This section sets out the Panels priorities for 2022/23. We conduct an annual review of our priorities, measuring our progress against the previous year's priorities, the FCA's own priorities and the external environment. We re-prioritise during the year if circumstances require us to do so.

We have identified the following areas of focus for the year ahead:

New Consumer Duty	We will continue to work with the FCA to ensure that the new Consumer Duty is implemented, supervised and enforced correctly.
Future of Regulation	We will continue to ensure the framework for financial services regulation is 'fit for the future', delivering outcomes for consumers (including vulnerable consumers and SMEs) that are better than current outcomes.
Ethical use of data and Artificial Intelligence (AI)	We will develop our position on what the ethical use of data and AI looks like and engage with consultations from the FCA and other bodies on this important topic.

Our research on early consumer engagement with consumer credit markets is due to conclude in the summer of 2022 and we will publish the outcome later in the year.

Our sector-specific focus will remain the same as for 2021/22. We will continue to adapt to changes in the FCA's perimeter.

Appendix 1: Panel members 2021/22

Please note that Panel members may have been unable to attend some Panel or Working Group meetings as they were required to attend other business on behalf of the Panel.

Wanda Goldwag – Chair

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 22/22

Sharon Collard

Left the Panel in January 2022

Attendance at full Panel meetings: 9/9
Attendance at Working Group meetings: 8/9

Jennifer Genevieve

Left the Panel in January 2022

Attendance at full Panel meetings: 9/9
Attendance at Working Group meetings: 9/9

Francis McGee

Attendance at full Panel meetings: 10/11
Attendance at Working Group meetings: 11/11

Keith Richards

Attendance at full Panel meetings: 10/11
Attendance at Working Group meetings: 11/11

Jonathan Hewitt

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

Julia Mundy

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

Erik Porter

Attendance at full Panel meetings: 9/11
Attendance at Working Group meetings: 10/11

Natasha de Teran

Joined the Panel in June 2020

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

Julie Hunter
Joined the Panel in June 2020

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 10/11

Johnny Timpson
Joined the Panel in April 2021

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

Rebecca Driver
Joined the Panel in April 2021

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11

James Plunkett
Joined the Panel in February 2022

Attendance at full Panel meetings: 2/2
Attendance at Working Group meetings: 2/2

Larna Bernard
Joined the Panel in February 2022

Attendance at full Panel meetings: 2/2
Attendance at Working Group meetings: 2/2

Appendix 2: Diversity Statement

The FCA has agreed to adopt diversity targets for all the FCA's Independent Panels. These targets reflect those introduced by the FCA in April 2022 for the board and executive management of listed companies and are as follows:

- At least 40% of each Panel are women
- At least one of the senior positions (Chair, Deputy Chair or equivalent) across the Panels is held by a woman
- At least one member of each Panel is from an ethnic minority background

The FCA has collected information on diversity across all Independent Panels. It is working to improve the data it holds and to be able to provide figures for individual Panels (where relevant) for next year's annual report. We will aim to publish these figures in our own Diversity Statement in 2023. Based on the information held by the FCA as of 31 March 2022, across all Independent Panels:

- 36% of all Panel members were women
- 43% of the senior Panel positions across the Panels were held by women
- 7% of all Panel members were from a minority ethnic background

The Panel supports the FCA in its objectives of improving diversity in the appointments it makes to all the Independent Panels

Appendix 3: Expenditure

The FCA Board agrees a Budget for Panel members' fees, expenses and any consultancy or research work it commissions. The Panel is supported by a Secretariat of 5 FTE staff.

Actual expenditure in 2020-2021 was £249,066.

	Actual April 2019 –March 2020 (£000)	Actual April 2020 –March 2021 (£000)	Actual April 2021 –March 2022 (£000)
Panel Members' fees and expenses[1]	143	187	300
Other Expenditure[2]	193	62	85
Total	**336**	**249**	**385**

1. The fees exclude employers' National Insurance Contributions paid by the FCA. The fees payable to Panel Members during the year from 1 April 2021 to 31 March 2022 were as follows:

Panel Chair	£60,000
Working Group Chairs	£26,000
Members whose minimum commitment is 30-35 days a year	£15,000

2. Other expenditure includes recruitment and research.

Appendix 4: Meetings with external stakeholders

Between 1 April 2020 and 31 March 2021, members of the Financial Services Consumer Panel met with the following external bodies:

Access to Cash Action Group

Age UK

British Insurance Brokers Association

British Steel Pension Scheme Campaign Group

Building Societies Association

Business Banking Resolution Service

Cambridge Centre for Alternative Finance

Civil Aviation Authority Consumer Panel

Communications Consumer Panel

Consumer Advisory Group

Consumer Finance Research Council

David Pitt Watson

Fair 4 All Finance

Fair By Design

Financial Inclusion Commission

Financial Ombudsman Service

Financial Services Compensation Scheme

HM Treasury

Ignition House

Just Retirement

Key Later Life Finance

Lending Standards Board

Legal Services Consumer Panel

Macmillan

Money Advice Trust

Money Alive

Money and Pensions Service

National Audit Office

NEST pensions

Oaklin

Ofcom
Payment Systems Regulator
Resolution Foundation
Responsible Finance
Small Businesses Commissioner
Smaller Business Practitioner Panel
South African Consumer Panel
StepChange
Surviving Economic Abuse
The Financial Regulators Complaints Commissioner
The Pensions Ombudsman
UK Finance
Which?

Appendix 5 Panel Members' participation in events

April 2021
Industry and Faculty of Actuaries: The Great Risk Transfer project

May 2021
Building Societies Association: Annual Conference
Boring Money: Advice Report 2021
Financial Services Compensation Scheme: Outlook briefing
Which?: Access to Cash Summit
Nationwide: Roundtable on the Future of Home
UK Finance: Webinar – cryptorisk

June 2021
UK Finance: Open Banking
UK Finance: Protecting vulnerable customers
UK Finance: What's driving the growth in card not present fraud and will changes in 3D secure create opportunities to address it?
Westminster eForum: Policy Conference – next steps for digital payments
UK Finance: Improving customer protections
FCA: Digital Sandbox
PSR: Webinar – future strategy
Chartered Insurance Institute: Shaping the future of insurance
Industry and Parliament Trust: Financial Services post-Brexit
Work and Pensions Committee: Accessing pensions savings inquiry - evidence session

July 2021
Bank of England: Webinar – new forms of digital money
Bank of England: Webinar – Central Bank Digital Currencies
StepChange: Roundtable – Can consumers understand the information they are given about credit products?
EY: Webcast on the FCA's business plan

September 2021
Boring Money: Webinar – sustainable investment report launch
UK Finance: Webinar – cash post coronavirus pandemic
FCA: Annual public meeting

October 2021
Westminster Business Forum: Next steps for consumer credit
Centre on Household Assets and Savings Management: Stakeholder workshop for Pension Decision-Making project
Economic Affairs Committee: Central Bank Digital Currencies – evidence session

November 2021
Open Data Institute: Annual summit
City and Financial: Summit on the new Consumer Duty
HM Treasury: Roundtable – regulating buy-now pay-later
Finance Innovation Lab: Government strategy on competitiveness

December 2021
Presentation to the Taiwanese Financial Supervisory Commission Insurance Conference

January 2022
Social Market Foundation: Roundtable – how to improve pensions advice and guidance in the UK
Chartered Insurance Institute: Workshop on financial resilience of UK households

February 2022
Regulatory Roadmap: Competitiveness in the UK and priorities for 2022
FCA: Consumer roundtable – British Steel Pension Scheme
Lending Standards Board: Roundtable – Setting success measures for the CRM code
FCA: Consumer roundtable – proposals for regulation of financial promotions for high risk investments
Association of British Insurers: Annual conference
HM Treasury: Consumer roundtable – changes to the Appointed Representatives regime

March 2022
Chartered Banker Association: Customers in vulnerable circumstances
Bank of England: Central Bank Digital Currencies and the convergence of technology and regulation
UK Finance: Consumer Duty – From Proposal to Implementation
APPG for Challenger Banks and Building Societies Annual Reception

Appendix 6: Publications responses to consultations

Consultation responses

Date	Consulting body	Consultation Name
April 2021	Payment Systems Regulator (PSR)	CP 21/3 Authorised Push Payment (APP) scams – call for views
April 2021	PSR	CP 21/4 Consumer protection in interbank payments – call for views
April 2021	FCA	CP 21/4 Funeral plans: proposed approach to regulation
April 2021	FCA	CP 21/1 Restricting CMC charges for financial products and services claims
May 2021	FCA	CP 21/3 Changes to the SCA-RTS and to the guidance in 'Payment Services and Electronic Money – Our Approach' and the Perimeter Guidance Manual
May 2021	Digital Regulation Cooperation Forum	Workplan for 2021/22
May 2021	Work and Pensions Committee	Call for Evidence: Accessing Pensions Savings
June 2021	Lending Standards Board (LSB)	Call for Input on the Contingent Reimbursement Model code
June 2021	Department for Work and Pensions (DWP)	Pension Scams: empowering trustees and protecting members
June 2021	FCA	CP 21/11: The stronger nudge to pensions guidance
June 2021	FCA	CP 21/12: A new authorised fund regime for investing in long term assets

June 2021	FCA	CP 21/14 Preventing claims management phoenixing by financial services firms
June 2021	FCA	CP 21/15 Benchmarks regulation
June 2021	PSR	CP 21/6 Confirmation of Payee – Phase 2 call for views
June 2021	DWP	Simpler annual benefit statements – draft regulations and statutory guidance
July 2021	FCA	DP 21/1 Strengthening financial promotion rules for high-risk investments and firms approving financial promotions
July 2021	DWP	Permitted charges within defined contribution pensions schemes
July 2021	FCA	CP 21/13 A new Consumer Duty
July 2021	FCA and TPR	Call for Input: Pensions Consumer Journey
July 2021	HMT	The regulation of non-transferrable debt securities (mini bonds)
August 2021	LSB	Access to Banking Standard Review
August 2021	FCA	CP 21/20 Regulation of funeral plans: further proposals
September 2021	PSR	Proposed strategy
September 2021	DWP	Stronger nudges to pensions guidance
September 2021	HM Treasury	Pre-paid funeral plan providers and the Financial Services Compensation Scheme
September 2021	Bank of England	Discussion Paper on new forms of digital money

September 2021	FCA	CP 21/17 Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pensions providers
September 2021	FCA	CP 21/25 Changes to FCA decision making
September 2021	FCA	DP 21/2 Diversity and inclusion in the financial sector – working together to drive change
September 2021	FCA	CP 20/09 Driving value for money in pensions
September 2021	HM Treasury	Access to cash
September 2021		FCA
October 2021	Financial Ombudsman Service	Temporary changes to reporting the outcomes of proactively settled complaints
October 2021	FCA	CP21/28 New cancellation and variation power: Changes to the Handbook and Enforcement Guide
December 2021	FCA and The Pensions Regulator	DP 21/3 Driving value for money in defined contribution pensions
December 2021	PSR	CP 21/11 Confirmation of Payee: ending dual running
December 2021	FCA	CP 21/30 Debt packagers: proposals for new rules
December 2021	HM Treasury	Regulation of Buy-Now Pay-Later
December 2021	PSR	CP 21/10 APP scams
January 2022	FCA	DP 21/4 Sustainability disclosure requirements and investment labels
January 2022	Financial Ombudsman Service	Plan and budget for 2022/23
February 2022	HM Treasury	Future Regulatory Framework Review: proposals for reform
February 2022	FCA	CP 21/36 A new Consumer Duty: further consultation

February 2022	FCA	CP21/32: Improving outcomes in non-workplace pensions
March 2022	FCA	GC 22/1 FCA approach to compromises
March 2022	HM Treasury	Call for evidence: the Appointed Representatives regime
March 2022	FCA	CP 21/34 Improving the Appointed Representatives regime
March 2022	HM Treasury	Financial promotions exemptions for high-net-worth individuals and sophisticated investors
March 2022	FCA	CP 22/2 Strengthening our financial promotion rules for high-risk investments, including cryptoassets
March 2022	Insolvency Service	Future of Insolvency Regulation
Other publications		
July 2021	Financial Services Consumer Panel Annual Report for 2020/21	

Appendix 7: Panel Members on Other Bodies in financial services

FCA Consumer Network
Julie Hunter
Francis McGee

FCA Purpose Working Group
Wanda Goldwag

Financial Ombudsman Consumer Liaison Group
Jennifer Genevieve

Financial Inclusion Commission
Johnny Timpson

Money & Pensions Advisory Service - Challenge Groups
Jonathan Hewitt
Julia Mundy

Open Banking Entity Steering Group
Francis McGee

Payment Systems Regulator Panel
Natasha de Teran

UK Finance: Consumer Advisory Group
Wanda Goldwag

Fair by Design Vulnerability Forum
Julie Hunter

Department of Work & Pensions Group – Small Pension Pots
Francis McGee

FCA Disclosures and Labelling Advisory Group
Jonathan Hewitt

BIBA Access to Insurance Committee
Johnny Timpson

Appendix 8: Terms of Reference

1. 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

2. The Panel represents the interests of all groups of financial services consumers.
3. 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.
4. 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.
5. 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

6. The FCA Board appoints Panel members, with HM Treasury's approval required for the appointment or dismissal of the Chair.
7. The FCA may appoint to the Panel such consumers, or persons representing the interests of consumers, as it considers appropriate.
8. 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

9. The Panel will:
    - 9.1 Meet regularly and be available for consultation by the FCA on specific high-level issues.
    - 9.2 Be active in bringing to the attention of the FCA issues which are likely to be of significance to consumers.
    - 9.3 Commission such research as it considers necessary in order to help it to fulfil its duties under these terms of reference.
    - 9.4 Request access to information from the FCA which it reasonably requires to carry out its work.
    - 9.5 Request regular access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

9.6 Give the FCA sufficient prior warning of new consumer issues that the Panel is putting in the public domain (“no surprises”).
9.7 Maintain the confidentiality of information provided to the Panel by the FCA.

FCA Duties

10. The FCA will:
    10.1 Consult the Panel throughout its deliberations on policies and practices that have a consumer impact.
    10.2 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.
    10.3 Provide a secretariat to support the Panel to enable it to operate effectively.
    10.4 Agree with the Panel an annual budget sufficient for the Panel to fulfil its duties under these terms of reference.
    10.5 Provide the Panel with prompt access to all information which the Panel reasonably requires in order to fulfil its duties.
    10.6 Give the Panel reasonable access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.
    10.7 Give sufficient prior notice of new consumer issues that the FCA is putting in the public domain (“no surprises”).

Accountability

11. The Panel will publish an annual report on its work, which will be presented to the FCA Board.
12. The Panel may speak out publicly when it wishes to draw attention to matters in the public interest.
13. The Panel will report informally on its work to HM Treasury and other stakeholders.

Financial Services Consumer Panel

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